

**Agency Legislative Budget**

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	531.37	3.50	10.50	545.37	3.50	10.50	545.37	545.37
Personal Services	25,427,463	3,496,847	1,536,238	30,460,548	3,607,639	2,771,258	31,806,360	62,266,908
Operating Expenses	10,626,422	5,016,470	2,430,917	18,073,809	3,096,196	2,441,632	16,164,250	34,238,059
Equipment	1,105,964	147,858	1,000,000	2,253,822	37,484	0	1,143,448	3,397,270
Capital Outlay	121,347	13,771	0	135,118	13,771	0	135,118	270,236
Local Assistance	0	200,000	0	200,000	200,000	0	200,000	400,000
Grants	1,384,297	391,000	105,000	1,880,297	391,000	105,000	1,880,297	3,760,594
Transfers	809,421	150,475	0	959,896	167,930	0	977,351	1,937,247
Debt Service	380,807	98,013	0	478,820	98,013	0	478,820	957,640
<b>Total Costs</b>	<b>\$39,855,721</b>	<b>\$9,514,434</b>	<b>\$5,072,155</b>	<b>\$54,442,310</b>	<b>\$7,612,033</b>	<b>\$5,317,890</b>	<b>\$52,785,644</b>	<b>\$107,227,954</b>
General Fund	18,140,525	2,139,518	2,656,373	22,936,416	2,105,883	2,247,481	22,493,889	45,430,305
State/Other Special	20,004,366	7,135,522	2,513,961	29,653,849	5,282,580	3,166,389	28,453,335	58,107,184
Federal Special	1,710,830	239,394	(98,179)	1,852,045	223,570	(95,980)	1,838,420	3,690,465
Expendable Trust	0	0	0	0	0	0	0	0
<b>Total Funds</b>	<b>\$39,855,721</b>	<b>\$9,514,434</b>	<b>\$5,072,155</b>	<b>\$54,442,310</b>	<b>\$7,612,033</b>	<b>\$5,317,890</b>	<b>\$52,785,644</b>	<b>\$107,227,954</b>

**Agency Description**

The Department of Natural Resources is tasked to:

1. Manage the state trust land resource to produce revenues for the trust beneficiaries while considering environmental factors and protecting the future income-generating capacity of the land;
2. Protect Montana's natural resources from wildfires through regulation and partnerships with federal, state, and local agencies;
3. Promote stewardship of state water, soil, forest, and rangeland resources, and regulate forest practices to protect water quality;
4. Provide administrative, legal, and technical assistance and financial grants to the conservation districts and provide natural resource conservation and development programs;
5. Resolve water resource use conflicts, manage state water projects, investigate water use violations, ensure dam safety compliance, and provide water adjudication support to the Water Court;
6. Provide administrative support to the Reserved Water Rights Compact Commission to negotiate the settlement of reserved water rights claims of Indian Tribes and federal agencies; and
7. Provide administrative support to the Board of Oil and Gas Conservation to assist in conservation of oil and gas and prevention of resource waste through regulation of oil and gas exploration and production.

The State Board of Land Commissioners, comprised of the Governor, State Auditor, Attorney General, Superintendent of Public Instruction, and Secretary of State, exercise the general authority, direction, and control over the care, management, and disposition of state lands under its administration. The department director is the chief administrative officer of the board.

## Agency Highlights

Department of Natural Resources and Conservation	
Major Budget Highlights	
◆	The legislature approved present law adjustments totaling over \$17.1 million, including \$7.3 million for state-wide adjustments
◆	Supplemental appropriations were provided for the 2007 biennium fire costs of \$30.0 million
◆	The increased pay plan resulted in an increase of \$3.1 million over the biennium, including \$1.5 million general fund
◆	FTE increases by 14.0 FTE to 545.37, with 5.50 FTE approved to address water issues <ul style="list-style-type: none"> <li>• One-time only funding includes: <ul style="list-style-type: none"> <li>○ \$1.9 million state special revenue for rehabilitation on state water projects</li> <li>○ \$1.0 million for the state share towards the remediation of the Reliance Refinery site</li> <li>○ \$1.0 million general fund to purchase title to department helicopters</li> <li>○ General fund authority to study irrigated agriculture and revise the cost allocation plan for Hungry Horse dam</li> </ul> </li> </ul>

## Summary of Legislative Action

The legislature approved a biennial budget of \$107.2 million. This includes the approval of \$17.1 million of present law adjustments and \$10.4 million in new proposals. New proposals included:

- \$1.0 million general fund to purchase the title to DNRC helicopters from the US Forest Service pending congressional approval
- \$1.0 million of state special revenue funding to begin to fund the state's share of the cost to remediate the Reliance Refinery site
- 1.00 FTE and \$175,000 state special revenue to provide a coordinator to facilitate coordination of natural resource grant and loan programs
- Resources to implement HB831 (groundwater appropriations in closed basins), including 4.00 FTE and \$0.5 million general fund authority

Other major budget items include:

- \$2.6 million in base adjustments to account for operational adjustments driven primarily by vacancies
- \$1.9 million of state special revenue to provide rehabilitation to state owned water projects
- \$0.5 million and 2.00 FTE to establish a GIS enterprise system within the department
- \$3.1 million to implement the pay plan and increased employer retirement contributions as the result of HB13 (pay plan), HB63, ( funding for teacher retirement system) and HB131(funding for MPERA retirement systems)

## Other Legislation

**HB 3** – Contains the FY 2007 fire season supplemental appropriation. This provided \$25.0 million of general fund to cover the state's share of fire suppression costs.

**HB 10**- Fire supplemental for the FY 2006 fire season. This provided \$5.1 million of general fund to cover the state's share of fire suppression costs.

**HB 19** -Prohibits diversions of Morrill Act Land revenues for administrative costs and provides a statutory appropriation of \$40,000 general fund each year to administer the trust.

HB 37 – Establishes a process where the department can initiate weed control on state land and bill the lessee for the costs. A \$5,000 state special revenue appropriation is provided in HB 2 to manage this activity.

HB 39 – Revises the water right ownership update process to be implemented on July 1, 2008. The legislature provided \$247,000 of state special revenue through HB 2 to implement this change.

HB 116 – Revises the distribution of resource indemnity trust interest and resource indemnity groundwater assessments, clarifies use of resource indemnity related funds, and prioritizes expenditures to on-the-ground projects. This legislation impacts the department through increases in revenues to the natural resource projects and operations funds. See discussion under “Agency Discussion”.

HB 160 -Repays various trusts administered by the department approximately \$1.0 million from the general fund for prior diversions. See discussion under “Agency Discussion”.

HB 473 – Provides for a \$25.0 million transfer from the general fund to the state special revenue fund for water adjudication activities. This legislation eliminated the water adjudication fee passed by the 2005 legislature.

HB 829 – Provides a means to ratify the impending water rights compact with the Blackfeet tribe. The bill provides an appropriation of \$0.5 million general fund for environmental review for water compact purposes, and establishes an escrow of \$14.5 million general fund for final payment when all parties have approved the compact. This legislation also allows for the department to expend up to \$650,000 general fund of escrow interest for water compact implementation costs.

HB 831 – Revises water law in closed basins, includes changes in the application process to appropriate groundwater in closed basins, and requiring hydrological assessment and recharge plans. The legislature provided 4.00 FTE and \$0.5 million to implement.

SB 25 – Established authority for the department to utilize contract timber harvesting for forest health purposes. The legislature approved the operating costs of this legislation in HB 2 for FY 2008 for \$280,000.

SB 131 – Extended the sunset date of the land banking program and implemented up front fees for individuals seeking to buy state land. The fiscal impact of this legislation is \$600,000 in state special revenue, which was appropriated in HB 2.

SB 145 – Revised wildfire protection laws and raised the protection fee to \$45 per parcel and \$0.25 per acre for each acre over twenty. This legislation provides an additional \$236,825 in state special revenue for the fire protection program.

SB 248 – Ratifies the water compact with the United States Forest Service (USFS). The compact allows for USFS to change a water right appropriation to an in stream flow usage under certain conditions. The fiscal impact of the legislation is \$127,000 over the biennium. This was funded through HB 2 and includes authority for 1.00 FTE.

**Agency Discussion***Resource Indemnity Trust – DNRC*

Two main activities occurred with the resource indemnity trust (RIT) and related accounts in the 2007 legislature. The legislature passed and the Governor approved HB116 to revise the allocation of RIT interest and taxes as well as provide clarification regarding the use of the funds. The legislation also included the transfer of general fund to the environmental contingency account and made transfers from the orphan share fund.

Through HB 2, HB 7, HB 13, HB 63 and HB 131, the legislature appropriated RIT and the Resource Indemnity Groundwater Assessment Tax (RIGWA), along with other resource related taxes, to provide \$31.3 million of biennial support to four agencies and numerous local governmental agencies through grant and loan programs.

Figure 1 illustrates the impacts of HB 116 and appropriations from numerous bills.

Figure 1 Resource Indemnity Funding										
Related Funds	02010 Oil & Gas	02022 Future Fish	02070 HazWas	02162 EQPF	02216 Wa Sto	02289 GRW	02472 Orphan Share	02577 Projects	02576 Operations	ECA
Beginning FY2007 Fund Balance	\$219,561	\$1,032,311	\$89,346	\$419,457	\$716,170	\$0	\$8,752,332	0	0	631,145
RIT Interest	\$47,000	\$500,000	\$287,300	\$1,363,265		\$300,000				
RIT Additional Interest										
RIT Other										
Excess coal tax proceeds from debt service and STIP										
RIGWA						366,000	401,150			
Metal Mines Tax										
Oil and Gas Tax							2,819,890			
FY 2007 Total Revenues & Fund Balance	\$266,561	\$1,532,311	\$376,646	\$1,782,722	\$716,170	\$666,000	\$11,973,372			
FY 2007 Appropriations	(193,099)		(620,221)	(1,119,630)	(374,079)	(666,000)	(4,097,366)			(135,000)
GF Transfer										
Reserved for Capital Appropriations	-	(1,532,311)								
Grant Reversion										
Projected Fund Balance Ending FY 2007	\$73,462	\$0	(\$243,575)	\$663,092	\$342,091	\$0	\$7,876,006		\$3,091,058	\$496,145
RIT Interest - Direct	50,000	1,000,000	404,300	139,950	500,000	600,000	-	7,000,000	1,193,250	350,000
RIGWA			302,000	302,000	150,000	732,000		603,000		
Excess coal tax proceeds from debt service and								250,000		
Short Term Investment Pool - Interest								5,000		
Admin Fees								25,000		
Metal Mines Tax									2,270,000	
Oil and Gas Tax							6,599,000	3,322,000	3,322,000	
Agency Generated Revenues	40,000		18,000	1,512,000	430,000				600,000	
Transfers	50,000		600,000	2,000,000			(6,050,000)	800,000	200,000	
General Fund Transfers							346,145			153,855
Projected Fund Balance Beginning FY 2008	\$213,462	\$1,000,000	\$1,080,725	\$4,617,042	\$1,422,091	\$1,332,000	\$8,425,006	\$12,005,000	\$10,676,308	\$1,000,000
Appropriations for 2009 Biennium										
RRGL and RDGP Programs								11,986,422		
UM-Bureau of Mines						1,332,000			280,000	
DNRC - Centralized Services									343,282	
DNRC - Conservation and Resource Devel.									3,524,687	
DNRC-Water Resources Division					625,000				237,181	
DNRC-Flathead Basin Commission									186,391	
DNRC - Board of Oil & Gas										
DNRC - Forestry/Trust Lands							1,000,000		200,000	
DEQ-Central Management									94,416	
DEQ-Planning, Prevention & Assistance			176,785							
DEQ-Enforcement									8,571	
DEQ-Remediation			58,050	1,495,853			2,435,026			
DEQ-Permitting & Compliance			689,593						3,254,818	
Future Fisheries		1,000,000								
Judiciary-Water Court									1,775,445	
Library Commission-State Library									502,872	
HB 13 Pay Plan			45,706	76,285			2,132		324,733	
HB 63 & HB 131 - Retirement Contribution			901	1,698			48		4,874	
Total Appropriations	\$0	\$1,000,000	\$970,134	\$1,572,138	\$625,000	\$1,332,000	\$3,437,158	\$11,986,422	\$10,732,396	\$0
Ending Fund Balance	\$213,462	\$0	\$110,591	\$3,044,904	\$797,091	\$0	\$4,987,848	\$18,578	(\$56,088)	\$1,000,000

Major changes include:

- Replacement of the renewable resources and reclamation and development funds, with a natural resources project fund and a natural resources operations fund to separate grant programs from the agency's operations.
- Elimination of the statutory appropriation to MSU Northern (the funds were replaced with general fund in HB 2)
- Reallocation of RIT interest and RIGWA taxes to meet legislative priorities
- Reallocation of oil and gas taxes to maintain funding levels to the orphan share fund
- Expansion of the use of the Governor-controlled environmental contingency account

Biennial transfers of funds:

- HB 116 included transfers of general fund of \$346,000 to the orphan share and \$153,855 to the environmental contingency account
- Transfers from the orphan share included:
  - \$50,000 to the Board of Oil and Gas for abandoned well plugging
  - \$600,000 to the hazardous waste fund to offset a potential negative ending fund balance
  - \$2.0 million to the environmental quality protection fund to provide up-front cash for state superfund activities that are cost recoverable
  - \$800,000 to the projects fund to fund approved grants and loans
  - \$200,000 to the operations fund to offset a potential negative ending fund balance
  - \$2.4 million, per statute, to the Zortman/Landusky water treatment fund

Biennial appropriations include:

- \$11.9 million for renewable resources and reclamation and development grants
- Operational costs of \$10.7 million for the department, as well as Department of Environmental Quality, the Judiciary (the Water Court), and the state library.
- One-time assistance to the water projects fund to aid in addressing the backlog of repairs
- \$448,856 for implementation of the pay plan and \$7,521 to implement changes in retirement contributions from the operations fund, orphan share, environmental quality protection fund and hazardous waste fund
- \$1.0 million to the future fisheries program with increased reporting requirements for the use of the funds due to the passage and approval of SB 75

The legislature maintained that the fund should not be over appropriated. However, the allocation of pay plan and retirement contributions results in a negative ending fund balance of (\$56,088) in the operations fund. The remaining funds end with a zero or positive balance. All projected balances could change based on the amount of appropriation spent and the actual revenues.

*Fire Suppression*

The legislature does not appropriate funds for fire suppression. Historically, suppression costs have been paid temporarily from the Forestry Division's general fund appropriation and through statutory emergency appropriations if an emergency or disaster is declared. If the department is still in need of funding, as was the case during the FY 2007 fire season, the department takes the necessary steps to receive approval to move general fund authority from other divisions to offset immediate fire suppression costs. The department is then reimbursed through a supplemental appropriation and all costs, except those paid with emergency appropriation authority, are reimbursed. Consequently all funding comes from the state's general fund ending balance. In order to cover the state's \$30.0 million share of the 2009 biennium \$69.6 million biennial cost of fire suppression, HB 3 and HB 10 were passed and approved.

Figure 2 provides a detailed break down of costs and reimbursements on a biennial basis. Part 1 provides documentation of all paid and anticipated obligations. The process of cost settling for fire suppression activities normally occurs for up to twelve months after the fires have been extinguished. At this writing the biennial cost of the 2009 biennium fire season was \$69.6 million.

Part 2 details the reimbursements that have been or will be received by the department to cover costs that technically are the responsibility of another party, due to cost sharing arrangements or land ownership. Montana has received reimbursement totaling \$19.2 million and is anticipating another \$20.2 million for a total of \$39.4 million, or 56 percent of the total bill.

The remaining \$30.0 million is the state's share of the biennial cost. Part 3 details the supplemental appropriations passed and approved in the 2007 regular system. HB 3, the traditional supplemental appropriation bill, included \$25.0 million to cover the state's share of the FY 2007 fire season, whereas HB 10 contained \$5.0 million to cover the state's share of the FY 2006 fire season. With the passage and approval of both bills, the department should have enough authority to fund the state's liability of both the FY 2006 and FY 2007 fire seasons.

#### *Increase in FTE*

The legislature approved an additional 14.00 FTE. 10.50 FTE were approved through new proposals. Those positions included 7.50 FTE for water related activities, including 4.00 for the implementation of HB 831. The remaining 3.00 FTE were approved for oil and gas data management, a coordinator for natural resource grants, and a mineral management employee for the Northeastern land office.

The 3.50 FTE approved through present law adjustments were the net of result of an increase of 3.00 FTE for the Centralized Services Division, 1.00 FTE for trust land management activities, and 0.50 FTE for inmate fire crew supervision, and a decrease of 1.00 FTE within the Reserved Water Rights Compact Commission.

#### *Repayment of diverted revenues from land trusts*

The legislature passed and the Governor approved HB 160, which provided approximately \$1.0 million in general fund to repay land trusts for previous diversions of revenue with interest. The diversions were related to utilizing Morrill land trust revenues to cover administrative costs and utilizing common school revenues to cover the costs of administration for other land trusts. The Morrill land trust will be managed with a statutory appropriation of general fund from the passage and approval of HB 19. The passage of both pieces of legislation satisfies legislative audit recommendations.

#### **Funding**

The following table summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

Figure 2 2007 Biennium Estimated Fire Costs*	
<b>PART 1:</b>	
<u>FY 2007 Actual &amp; Estimated Fire Costs</u>	
Actual FY 2006 Fire Suppression Costs	\$8,302,312
Actual FY 2007 Fire Suppression Costs Paid as of May 29, 2007	23,092,804
Estimated remaining costs*:	36,882,014
Estimated spring 2007 fire costs	<u>\$1,316,110</u>
Paid & Anticipated Obligations	<u>\$ 69,593,240</u>
<b>PART 2:</b>	
<u>Received and Estimated Reimbursements</u>	
Governor's Emergency Fund (general fund)	(13,688,022)
US Forest Service -Fire	(\$4,072,804)
US Forest Service - Hurricane	(\$410,308)
Federal Emergency Management Agency	(\$759,092)
Department of Environmental Quality - Columbus Tire Fire	(\$55,123)
Trust Land Management Division - Center Loop/SJ Fires	(\$7,937)
Bureau of Land Management	(\$74,429)
US Fish & Wildlife Service	(\$53,495)
Bureau of Indian Affairs	(\$153,525)
Reimbursements Received:	(19,274,735)
Federal Agencies	(6,035,719)
Federal Emergency Management Agency	<u>(\$14,220,516)</u>
Reimbursements Anticipated:	<u>(\$20,256,235)</u>
Total 2007 Biennium State Fire Costs	<u>\$30,062,270</u>
<b>PART 3:</b>	
<u>Funding of State Costs</u>	
HB 3 (2007 Regular Session) - Supplemental Appropriations FY 2007	(\$25,000,000)
HB 10 (2007 Regular Session) - Supplemental for Fire Suppression FY 2006	<u>(\$5,062,270)</u>
Costs not Covered	<u>\$0</u>
* All cost information is based upon the best available estimates at the time of completion and is subject to adjustment. Cost share fires are constantly in negotiation until final settlement.	

Total Agency Funding 2009 Biennium Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
21 Centralized Services	\$ 4,935,469	\$ 1,387,979	\$ 174,995	\$ 6,498,443	6.06%
22 Oil & Gas Conservation Div.	-	4,891,033	-	4,891,033	4.56%
23 Conservation/Resource Dev Div	3,365,391	7,383,105	539,556	11,288,052	10.53%
24 Water Resources Division	16,064,059	12,954,158	404,298	29,422,515	27.44%
25 Reserved Water Rights Comp Com	1,422,764	-	-	1,422,764	1.33%
35 Forestry/Trust Lands	19,642,622	31,490,909	2,571,616	53,705,147	50.09%
Grand Total	45,430,305	58,107,184	3,690,465	107,227,954	100.00%

General fund supports operating costs across the department. The programs in the Forestry Division and the Reserved Water Resources Division receive the most general fund support. The agency receives funds from interest derived from the resource indemnity trust for projects and operational support. The grant and loan programs funded by the RIT interest are also managed by the agency. Other state special revenue is derived from fire protection taxes, oil and gas operating fees, forest improvement fees, and revenues retained from state land activities for administration costs. Federal funds come from a variety of sources such as the Federal Emergency Management Agency, the United States Department of Agriculture, and the Bureau of Land Management.

### Executive Budget Comparison

The following table compares the legislative budget in the 2009 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2006	Executive Budget Fiscal 2008	Legislative Budget Fiscal 2008	Leg – Exec. Difference Fiscal 2008	Executive Budget Fiscal 2009	Legislative Budget Fiscal 2009	Leg – Exec. Difference Fiscal 2009	Biennium Difference Fiscal 08-09
FTE	531.37	544.37	545.37	1.00	544.37	545.37	1.00	
Personal Services	25,427,463	29,357,301	30,460,548	1,103,247	29,468,982	31,806,360	2,337,378	3,440,625
Operating Expenses	10,626,422	16,776,387	18,073,809	1,297,422	14,786,077	16,164,250	1,378,173	2,675,595
Equipment	1,105,964	2,736,172	2,253,822	(482,350)	1,545,948	1,143,448	(402,500)	(884,850)
Capital Outlay	121,347	135,118	135,118	0	135,118	135,118	0	0
Local Assistance	0	200,000	200,000	0	200,000	200,000	0	0
Grants	1,384,297	1,764,297	1,880,297	116,000	1,764,297	1,880,297	116,000	232,000
Transfers	809,421	5,959,896	959,896	(5,000,000)	5,977,351	977,351	(5,000,000)	(10,000,000)
Debt Service	380,807	478,820	478,820	0	478,820	478,820	0	0
Total Costs	\$39,855,721	\$57,407,991	\$54,442,310	(\$2,965,681)	\$54,356,593	\$52,785,644	(\$1,570,949)	(\$4,536,630)
General Fund	18,140,525	27,105,104	22,936,416	(4,168,688)	26,009,154	22,493,889	(3,515,265)	(7,683,953)
State/Other Special	20,004,366	28,447,658	29,653,849	1,206,191	26,510,039	28,453,335	1,943,296	3,149,487
Federal Special	1,710,830	1,855,229	1,852,045	(3,184)	1,837,400	1,838,420	1,020	(2,164)
Expendable Trust	0	0	0	0	0	0	0	0
Total Funds	\$39,855,721	\$57,407,991	\$54,442,310	(\$2,965,681)	\$54,356,593	\$52,785,644	(\$1,570,949)	(\$4,536,630)

General fund is \$7.6 million lower due to the elimination of \$10.0 million for fire suppression and the inclusion of funding for the irrigated agriculture study, implementation of HB 831 (groundwater appropriations in closed basins) and SB 247 (ratification of the US Forest Service water compact), support for Montana Rural Water Systems, and inclusion of the state pay plan (HB 13).

The increase to state special revenue of \$3.1 million includes approximately \$1.5 million in restricted authority for emergency repairs to state owned water projects, a restoration coordinator, implementation of HB 37 (weed control on state land) and HB 39 (water rights ownership updates). The remainder is due to the cost allocation of the pay plan and retirement funding changes.

The federal special revenue difference is the net effect of a decrease in state motor pool rental and leasing rates, and the cost allocation of the pay plan and retirement funding changes.



**Program Legislative Budget**

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	38.00	3.00	0.00	41.00	3.00	0.00	41.00	41.00
Personal Services	1,870,032	496,011	74,376	2,440,419	503,523	171,169	2,544,724	4,985,143
Operating Expenses	552,382	164,324	0	716,706	49,580	0	601,962	1,318,668
Equipment	0	125,000	0	125,000	45,000	0	45,000	170,000
Capital Outlay	0	10,000	0	10,000	10,000	0	10,000	20,000
Debt Service	2,316	0	0	2,316	0	0	2,316	4,632
<b>Total Costs</b>	<b>\$2,424,730</b>	<b>\$795,335</b>	<b>\$74,376</b>	<b>\$3,294,441</b>	<b>\$608,103</b>	<b>\$171,169</b>	<b>\$3,204,002</b>	<b>\$6,498,443</b>
General Fund	1,955,739	439,635	74,376	2,469,750	338,811	171,169	2,465,719	4,935,469
State/Other Special	388,359	336,337	0	724,696	274,924	0	663,283	1,387,979
Federal Special	80,632	19,363	0	99,995	(5,632)	0	75,000	174,995
<b>Total Funds</b>	<b>\$2,424,730</b>	<b>\$795,335</b>	<b>\$74,376</b>	<b>\$3,294,441</b>	<b>\$608,103</b>	<b>\$171,169</b>	<b>\$3,204,002</b>	<b>\$6,498,443</b>

**Program Description**

The Centralized Services Division provides managerial and administrative support services to the department through: 1) the Director's Office, which includes the director, legal staff, and public information; and 2) support services, which manages all financial activities, coordinates information systems, produces publications and graphic materials, and performs general administrative support services. Support services include fiscal affairs, data processing, personnel, legal, reception, and mail. Responsibilities include trust revenue collection and distribution and maintenance of ownership records for trust and non-trust state-owned land.

**Program Highlights**

Centralized Services Division Major Program Highlights	
♦	A department wide GIS project was approved to enhance the integration of data across programs. The biennial appropriations included 2.00 FTE and \$0.5 million in general fund, of which \$130,000 was one time only
♦	The remaining increases were base operating adjustments and implementation of pay plan and retirement legislation

**Funding**

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Centralized Services						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
<b>01000 Total General Fund</b>	<b>\$ 1,955,739</b>	<b>80.7%</b>	<b>\$ 2,469,750</b>	<b>75.0%</b>	<b>\$ 2,465,719</b>	<b>77.0%</b>
01100 General Fund	1,955,739	80.7%	2,469,750	75.0%	2,465,719	77.0%
<b>02000 Total State Special Funds</b>	<b>388,359</b>	<b>16.0%</b>	<b>724,696</b>	<b>22.0%</b>	<b>663,283</b>	<b>20.7%</b>
02039 Forestry-Fire Protection Taxes	51,000	2.1%	76,000	2.3%	25,000	0.8%
02052 Rangeland Improvement Loans	15,000	0.6%	15,000	0.5%	15,000	0.5%
02073 Forestry - Slash Disposal	5,000	0.2%	5,000	0.2%	5,000	0.2%
02145 Broadwater O & M	9,500	0.4%	9,500	0.3%	9,500	0.3%
02272 Renewable Resources Grnt/Loans	5,000	0.2%	26,333	0.8%	28,244	0.9%
02280 Forest Resources-Timber Sales	78,000	3.2%	78,000	2.4%	78,000	2.4%
02340 Coal Sev. Tax Shared Ssr	5,000	0.2%	10,000	0.3%	10,000	0.3%
02430 Water Right Appropriation	65,591	2.7%	65,000	2.0%	65,000	2.0%
02431 Water Adjudication	-	-	28,351	0.9%	28,393	0.9%
02432 Oil & Gas Era	63,412	2.6%	63,500	1.9%	63,000	2.0%
02449 Forest Resources-Forest Improv	32,000	1.3%	32,000	1.0%	32,000	1.0%
02450 State Lands Res Dev	26,444	1.1%	26,444	0.8%	26,444	0.8%
02458 Reclamation & Development	5,000	0.2%	151,805	4.6%	136,900	4.3%
02825 Water Well Contractors	5,000	0.2%	5,000	0.2%	5,000	0.2%
02938 Tlmd - Administration	22,412	0.9%	132,763	4.0%	135,802	4.2%
<b>03000 Total Federal Special Funds</b>	<b>80,632</b>	<b>3.3%</b>	<b>99,995</b>	<b>3.0%</b>	<b>75,000</b>	<b>2.3%</b>
03255 Csd Federal Indirect	80,632	3.3%	99,995	3.0%	75,000	2.3%
<b>Grand Total</b>	<b>\$ 2,424,730</b>	<b>100.0%</b>	<b>\$ 3,294,441</b>	<b>100.0%</b>	<b>\$ 3,204,002</b>	<b>100.0%</b>

The Centralized Services Division is funded primarily with general fund, a variety of resource based accounts such as revenue from timber sales and taxes on oil and gas wells, and federal indirect grant reimbursements. To obtain funding the department charges overhead rates to other divisions to recover costs. The rate varies depending upon the type and amount of managerial, payroll, contract, and accounts payable services provided to the divisions.

### Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2008-----					-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				385,310					392,987
Vacancy Savings				(90,215)					(90,521)
Inflation/Deflation				3,947					5,091
Fixed Costs				91,447					(12,478)
<b>Total Statewide Present Law Adjustments</b>				<b>\$390,489</b>					<b>\$295,079</b>
DP 2101 - GIS Enterprise Project IT									
2.00	0	195,164	0	195,164	2.00	0	180,263	0	180,263
DP 2102 - CSD Operating Adjustment									
1.00	0	104,758	0	104,758	1.00	0	107,839	0	107,839
DP 2104 - GIS Enterprise Equipment IT OTO									
0.00	105,000	0	0	105,000	0.00	25,000	0	0	25,000
DP 6015 - State Motor Pool Rate Change									
0.00	(65)	(6)	(5)	(76)	0.00	(65)	(13)	0	(78)
<b>Total Other Present Law Adjustments</b>									
3.00	\$104,935	\$299,916	(\$5)	\$404,846	3.00	\$24,935	\$288,089	\$0	\$313,024
<b>Grand Total All Present Law Adjustments</b>				<b>\$795,335</b>					<b>\$608,103</b>

DP 2101 - GIS Enterprise Project IT - The legislature approved 2.00 FTE and state special revenue authority to implement an enterprise geographical information system to provide an organization-wide approach that facilitates the

integration, implementation, operation, and management of tabular and spatial information. This would assist in streamlining work processes, allowing integration of data and systems, improving accessibility and data management, reducing duplication of efforts and costs (hardware, software and personnel), providing rapid automated updating, and improving access to data for decision-making.

*The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.*

**Justification:** Currently the department creates and maintains most of its spatial data at a local, bureau or division level with little to no emphasis on an agency-wide (enterprise) approach. This has led to overlap and incompatibility of datasets along with other inefficiencies. The implementation of an enterprise GIS will provide an organization-wide approach that facilitates the integration, implementation, operation, and management of tabular and spatial information.

**Goal:** Implement an enterprise GIS system for DNRC to provide an organization-wide approach that facilitates the integration, implementation, operation and management of tabular and spatial information.

**Performance Criteria:** DNRC will work with ITSD to develop the GIS infrastructure that meets the needs of the agency and other agencies. A project plan will be developed with specific goals and tasks and progress measured against that plan. Technical requirements will be developed using agency GIS specialists working with an agency GIS coordinator.

**Milestones:** Work has already begun on planning the GIS Enterprise infrastructure. A team of IT staff and GIS staff from ITSD and DNRC are working on a plan for hardware and software to support GIS within the Water Resources Division of DNRC. Expanding this system to incorporate other divisions of DNRC would begin in the first quarter of FY 2008. A detailed implementation plan will be developed in conjunction with funding of this DP and will stage expansion of the infrastructure to include all divisions of DNRC. Key to this development is funding for a GIS coordinator in the IT Bureau and a GIS Analyst in the Forest Management Bureau of TLMD.

**FTE:** Work on this project will be done by the GIS Coordinator and GIS specialists. (A modified position was created for the GIS coordinator position in FY 2007 to complete critical assessment and planning measures.) Coordination will be provided by a project manager in ITSD and the IT Bureau Chief in DNRC. They will coordinate with ITSD staff on deployment of the hardware and software in the ITSD data center.

**Funding:** Funding is comprised of \$195,164 from state special revenue in FY 2008 and \$180,263 in FY 2009

**Obstacles:** Cooperation within the agency in accomplishing the goal of an Enterprise GIS system is critical. The project will need widespread agency support, proper training for staff supporting the systems and development of technology partnerships to succeed. This project has already received endorsement by GIS staff at all levels of DNRC and from GIS staff in other agencies. The project will require strong leadership, cooperation and adequate funding for hardware, software and training to succeed.

**Risk:** For many years DNRC relied on a staff of cartographers to draw maps showing boundaries of state lands, water resources, forests, natural resources, conservation efforts and other visual representations of the work of DNRC staff. Those cartographers are being replaced by GIS specialists who convert the information in databases to visual representations on computers using GIS. This work is happening now on individual desktops and in numerous data models. Not developing an enterprise GIS infrastructure could lead to data loss, incompatibility of data, data duplication, difficulty in finding GIS data and inability to meet the business requirements of the department.

**DP 2102 - CSD Operating Adjustment -** The legislature provided 1.00 FTE and state special revenue authority for increased operating costs. The FTE would be a network administrator to assist end-users, work on security and provide software training to employees. Operating adjustments are requested for replacement computers, IT training, rent and contracted services.

DP 2104 - GIS Enterprise Equipment IT OTO - The legislature approved one-time only general fund authority to fund the infrastructure for a GIS enterprise project. The infrastructure would include servers, server software, geodata storage, and connection of those systems to a proposed federated GIS system for the State of Montana. The proposal calls for a tiered approach with an initial hardware and software purchase in FY 2008 and expansion of that system in FY2009 to meet anticipated growth in the system during development.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

### New Proposals

New Proposals										
Program	FTE	Fiscal 2008				FTE	Fiscal 2009			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
21	0.00	71,365	0	0	71,365	0.00	168,505	0	0	168,505
DP 6014 - Retirement - Employer Contribution - HB63 & HB131										
21	0.00	3,011	0	0	3,011	0.00	2,664	0	0	2,664
Total	0.00	\$74,376	\$0	\$0	\$74,376	0.00	\$171,169	\$0	\$0	\$171,169

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement - Employer Contribution - HB63 & HB131 - The legislature adopted HB 63 and HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

**Program Legislative Budget**

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	20.50	0.00	1.00	21.50	0.00	1.00	21.50	21.50
Personal Services	917,514	260,923	77,967	1,256,404	278,099	127,565	1,323,178	2,579,582
Operating Expenses	376,782	447,286	272,500	1,096,568	448,911	272,500	1,098,193	2,194,761
Equipment	48,345	5,000	0	53,345	5,000	0	53,345	106,690
Grants	0	0	5,000	5,000	0	5,000	5,000	10,000
<b>Total Costs</b>	<b>\$1,342,641</b>	<b>\$713,209</b>	<b>\$355,467</b>	<b>\$2,411,317</b>	<b>\$732,010</b>	<b>\$405,065</b>	<b>\$2,479,716</b>	<b>\$4,891,033</b>
State/Other Special	1,256,978	798,872	355,467	2,411,317	817,673	405,065	2,479,716	4,891,033
Federal Special	85,663	(85,663)	0	0	(85,663)	0	0	0
<b>Total Funds</b>	<b>\$1,342,641</b>	<b>\$713,209</b>	<b>\$355,467</b>	<b>\$2,411,317</b>	<b>\$732,010</b>	<b>\$405,065</b>	<b>\$2,479,716</b>	<b>\$4,891,033</b>

**Program Description**

The Oil and Gas Conservation Division administers the Montana oil and gas conservation laws to promote conservation and prevent waste in the recovery of these resources through regulation of exploration and production of oil and gas. The division: 1) issues drilling permits; 2) classifies wells; 3) establishes well spacing units and pooling orders; 4) inspects drilling, production, and seismic operations; 5) investigates complaints; 6) does engineering studies; 7) determines incremental production for enhanced recovery and horizontal wells to implement the tax incentive program for those projects; 8) operates the underground injection control program; 9) plugs orphan wells; and 10) collects and maintains complete well data and production information.

**Program Highlights**

Oil & Gas Conservation Division	
Major Program Highlights	
♦	The legislature approved a base adjustment to reinstate funding for coal bed methane activity that was delayed due to litigation
♦	One-time only authority was provided for: <ul style="list-style-type: none"> <li>• Microfilming of historical records</li> <li>• Attendance at the North America Prospect Exposition</li> <li>• Temporary relocation costs during office remodeling</li> </ul>

**Funding**

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table						
Oil & Gas Conservation D						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
<b>02000 Total State Special Funds</b>	<b>\$ 1,256,978</b>	<b>93.6%</b>	<b>\$ 2,411,317</b>	<b>100.0%</b>	<b>\$ 2,479,716</b>	<b>100.0%</b>
02432 Oil & Gas Era	1,256,978	93.6%	2,411,317	100.0%	2,479,716	100.0%
<b>03000 Total Federal Special Funds</b>	<b>85,663</b>	<b>6.4%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
03356 Oil & Gas Federal	85,663	6.4%	-	-	-	-
<b>Grand Total</b>	<b>\$ 1,342,641</b>	<b>100.0%</b>	<b>\$ 2,411,317</b>	<b>100.0%</b>	<b>\$ 2,479,716</b>	<b>100.0%</b>

The division is funded through taxes levied on oil and gas wells and the class II annual operating fee. By statute (15-36-324, MCA) a percentage of oil production taxes and natural gas taxes are deposited to the account for the board's use. The board is authorized by statute (82-11-131, MCA) to set privilege and license taxes up to 3/10 of 1 percent of the market value of each barrel of crude petroleum produced and of each 10,000 cubic feet of natural gas produced to comply with 15-36-324, MCA. Section 82-11-137, MCA provides for a maximum \$300 annual operating fee for each class II injection well. The board set the fee at \$300. The division also receives federal funding from the Environmental Protection Agency (EPA) for the underground injection control program.

### Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2008					Fiscal 2009					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				262,470						264,653
Vacancy Savings				(47,197)						(47,287)
Inflation/Deflation				2,797						3,159
Fixed Costs				10,761						11,749
<b>Total Statewide Present Law Adjustments</b>				<b>\$228,831</b>						<b>\$232,274</b>
DP 2201 - O&G Regulatory Operating Adjustment	0.00	0	413,241	0	413,241	0.00	0	422,249	0	422,249
DP 2202 - Underground Injection Control (UIC) Operating Adj.	0.00	0	71,158	0	71,158	0.00	0	77,509	0	77,509
DP 6015 - State Motor Pool Rate Change	0.00	0	(21)	0	(21)	0.00	0	(22)	0	(22)
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$484,378</b>	<b>\$0</b>	<b>\$484,378</b>	<b>0.00</b>	<b>\$0</b>	<b>\$499,736</b>	<b>\$0</b>	<b>\$499,736</b>
<b>Grand Total All Present Law Adjustments</b>				<b>\$713,209</b>						<b>\$732,010</b>

DP 2201 - O&G Regulatory Operating Adjustment - The legislature approved a base adjustment of state special revenue authority to restore the base budget authority for coal bed methane contracted studies not performed because of litigation. The remainder is attributable to board per diem, increases to contracted legal services, exempt staff pay, janitorial services, and rent.

DP 2202 - Underground Injection Control (UIC) Operating Adj. - The legislature provided state special revenue to restore board per diem, annualize contract budgets for the board attorney, and fund exempt staff pay increases and increased travel and agency legal services, janitorial and database services, and for other increased operating expenses.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

**New Proposals**

New Proposals										
Program	FTE	Fiscal 2008				Fiscal 2009				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2203 - O&G Public Assess Data System IT (OTO)										
22	1.00	0	212,669	0	212,669	1.00	0	212,696	0	212,696
DP 2204 - O&G Education & Outreach (BIEN)										
22	0.00	0	62,500	0	62,500	0.00	0	62,500	0	62,500
DP 2205 - O&G North American Prospect Exposition (BIEN/OTO)										
22	0.00	0	7,500	0	7,500	0.00	0	7,500	0	7,500
DP 2208 - Temporary Relocation Costs (RST/OTO/BIEN)										
22	0.00	0	32,500	0	32,500	0.00	0	32,500	0	32,500
DP 6013 - 2009 Biennium Pay Plan - HB 13										
22	0.00	0	39,018	0	39,018	0.00	0	88,539	0	88,539
DP 6014 - Retirement - Employer Contribution - HB63 & HB131										
22	0.00	0	1,280	0	1,280	0.00	0	1,330	0	1,330
Total	1.00	\$0	\$355,467	\$0	\$355,467	1.00	\$0	\$405,065	\$0	\$405,065

DP 2203 - O&G Public Assess Data System IT (OTO) - The legislature provided a one-time only appropriation for 1.00 FTE and special revenue authority to continue the historical records acquisition project started in the 2005 biennium. The appropriation is contingent on the program providing an annual progress report to the Environmental Quality Council. (This language was subsequently vetoed by the Governor.) The project involves the scanning and microfilming of historical records and making them available for Internet or other public accessibility.

DP 2204 - O&G Education & Outreach (BIEN) - The legislature provided a biennial appropriation of state special revenue to allow the division to contract with Montana Tech to provide summer petroleum workshops for teachers and to provide matching scholarship funds for an essay contest arising out of those workshops.

DP 2205 - O&G North American Prospect Exposition (BIEN/OTO) - The legislature provided a biennial one-time only appropriation to provide funding for staff and board members to sponsor an information booth at the annual North American Prospect Expedition (NAPE) in Houston. Funding will provide travel, meals, lodging, registration, booth rental, and conference room costs.

DP 2208 - Temporary Relocation Costs (RST/OTO/BIEN) - The legislature approved a one-time only biennial request for state special revenue of \$65,000 for temporary office space for the Billings staff and relocation costs. The current space is scheduled for remodeling to handle increased participation in oil and gas hearings.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement - Employer Contribution - HB63 & HB131 - The legislature adopted HB 63 and HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

**Language**

The following language was approved by the legislature, and subsequently line item vetoed by the Governor.

*"O&G Public Assess Data System funding in fiscal year 2009 is contingent upon provision of an annual report to the environmental quality council by June 2008 detailing progress on the access project."*

### Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	24.50	0.00	1.00	25.50	0.00	1.00	25.50	25.50
Personal Services	1,264,390	225,843	120,249	1,610,482	229,125	185,484	1,678,999	3,289,481
Operating Expenses	1,331,953	293,092	523,917	2,148,962	302,182	523,870	2,158,005	4,306,967
Equipment	54,996	0	0	54,996	0	0	54,996	109,992
Capital Outlay	0	0	0	0	0	0	0	0
Local Assistance	0	200,000	0	200,000	200,000	0	200,000	400,000
Grants	1,199,806	391,000	0	1,590,806	391,000	0	1,590,806	3,181,612
Debt Service	0	0	0	0	0	0	0	0
<b>Total Costs</b>	<b>\$3,851,145</b>	<b>\$1,109,935</b>	<b>\$644,166</b>	<b>\$5,605,246</b>	<b>\$1,122,307</b>	<b>\$709,354</b>	<b>\$5,682,806</b>	<b>\$11,288,052</b>
General Fund	1,299,129	146,594	222,916	1,668,639	148,631	248,992	1,696,752	3,365,391
State/Other Special	2,305,218	944,191	421,250	3,670,659	946,866	460,362	3,712,446	7,383,105
Federal Special	246,798	19,150	0	265,948	26,810	0	273,608	539,556
<b>Total Funds</b>	<b>\$3,851,145</b>	<b>\$1,109,935</b>	<b>\$644,166</b>	<b>\$5,605,246</b>	<b>\$1,122,307</b>	<b>\$709,354</b>	<b>\$5,682,806</b>	<b>\$11,288,052</b>

### Program Description

The Conservation and Resource Development Division provides technical, administrative, financial and legal assistance to Montana's 58 conservation districts by administering the Conservation District Act, Montana Rangeland Resources Act, and the Natural Streambed and Land Preservation Act. The division also manages several loan and grant programs for local communities, local governments, state agencies, and private citizens. The programs include the state revolving fund, which currently includes \$150 million loaned to communities for water and waste water systems, coal severance tax loans to governmental entities totaling \$45 million, and private loans for \$16.5 million. Grant programs administered by the division include the Reclamation Development, Renewable Resource, and Conservation District grant programs.

### Program Highlights

Conservation and Resource Development Division	
Major Program Highlights	
♦	The legislature approved increases in support of the Yellowstone River District Council and the Missouri River District Council
♦	Authority for the conservation districts to administer the coal bed methane damage program was approved
♦	A state grants coordinator and related operating expenses were approved to increase coordination of funding sources for natural resource or infrastructure projects
♦	One-time only general fund authority was provided: <ul style="list-style-type: none"> <li>• \$200,000 general fund to study the economic impact of irrigation on the agriculture industry</li> <li>• \$203,500 general fund authority to support the Montana Rural Water Systems if federal funding is not received</li> </ul>



## Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Conservation/Resource De						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
<b>01000 Total General Fund</b>	<b>\$ 1,299,129</b>	<b>33.7%</b>	<b>\$ 1,668,639</b>	<b>29.8%</b>	<b>\$ 1,696,752</b>	<b>29.9%</b>
01100 General Fund	1,299,129	33.7%	1,668,639	29.8%	1,696,752	29.9%
<b>02000 Total State Special Funds</b>	<b>2,305,218</b>	<b>59.9%</b>	<b>3,670,659</b>	<b>65.5%</b>	<b>3,712,446</b>	<b>65.3%</b>
02015 Tsep Regional Water System	535,304	13.9%	649,304	11.6%	649,304	11.4%
02052 Rangeland Improvement Loans	8,109	0.2%	8,109	0.1%	8,109	0.1%
02270 Treasure State Endowment	27,999	0.7%	28,000	0.5%	28,000	0.5%
02272 Renewable Resources Grnt/Loans	294,282	7.6%	790,407	14.1%	810,963	14.3%
02316 Go94B/Ban 93D Admin	18,858	0.5%	19,708	0.4%	20,048	0.4%
02340 Coal Sev. Tax Shared Ssr	765,779	19.9%	856,779	15.3%	856,779	15.1%
02433 Grazing District Fees	15,333	0.4%	15,333	0.3%	15,333	0.3%
02458 Reclamation & Development	639,554	16.6%	1,003,019	17.9%	1,023,910	18.0%
02490 Drinking Water Investment	-	-	200,000	3.6%	200,000	3.5%
02694 Coal Bed Methane Protection	-	-	100,000	1.8%	100,000	1.8%
<b>03000 Total Federal Special Funds</b>	<b>246,798</b>	<b>6.4%</b>	<b>265,948</b>	<b>4.7%</b>	<b>273,608</b>	<b>4.8%</b>
03014 Dw Srf Ffy05 Grant	100,003	2.6%	120,003	2.1%	122,003	2.1%
03178 Res Dev & Cons - Fed	35,651	0.9%	35,651	0.6%	35,651	0.6%
03440 Dw Srf 03	15,000	0.4%	-	-	-	-
03442 Dw Srf 03	-	-	5,000	0.1%	7,000	0.1%
03457 Wpc Srf Fy03 Grant	96,144	2.5%	105,294	1.9%	108,954	1.9%
<b>Grand Total</b>	<b>\$ 3,851,145</b>	<b>100.0%</b>	<b>\$ 5,605,246</b>	<b>100.0%</b>	<b>\$ 5,682,806</b>	<b>100.0%</b>

This program is primarily funded with general fund, resource indemnity trust (RIT) accounts, and coal severance taxes.

RIT funding is used to administer the Reclamation and Development Grants Program (RDGP) and the Renewable Resources Grant and Loan Program (RRGLP). The RDGP is a state-funded grant program that assists any department, agency, and division of state government, tribal government, board, or commission to indemnify the people of the state for the effects of mineral development on public resources. The RRGLP funds a variety of natural resource projects including groundwater studies, irrigation projects, water and soil conservation, and public wastewater projects, primarily through grants administered by the department. Coal severance tax is used to provide grants to conservation districts for natural resource related projects such as streambed stabilization, soil conservation, educational activities, and demonstrations of new technologies.

The Natural Resource Development Bureau utilizes nearly half of the division general fund to administer grant and loan programs, provide assistance to conservation districts for the administration of water reservations, and assist landowners to develop new irrigation. The Conservation District Bureau utilizes just over half of the available general fund to assist Montana conservation and grazing districts. The remaining program funding includes miscellaneous state special revenue, federal drinking water and water pollution control funds, and miscellaneous federal sources used to supplement division activities.

## Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2008-----					-----Fiscal 2009-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				287,937						291,356
Vacancy Savings				(62,094)						(62,231)
Inflation/Deflation				4,867						5,710
Fixed Costs				10,490						10,746
<b>Total Statewide Present Law Adjustments</b>				<b>\$241,200</b>						<b>\$245,581</b>
DP 2301 - CARDD Operating Adjustment	0.00	23,000	82,000	10,000	115,000	0.00	23,000	86,000	14,000	123,000
DP 2302 - Drinking Water Loan Program Assistance	0.00	0	200,000	0	200,000	0.00	0	200,000	0	200,000
DP 2306 - Regional Water Systems	0.00	0	114,000	0	114,000	0.00	0	114,000	0	114,000
DP 2307 - Yellowstone River Council	0.00	0	40,000	0	40,000	0.00	0	40,000	0	40,000
DP 2312 - Watershed Grants	0.00	0	91,000	0	91,000	0.00	0	91,000	0	91,000
DP 2335 - Grass Commission	0.00	9,000	0	0	9,000	0.00	9,000	0	0	9,000
DP 2336 - Purchase of Prior Liens (Rst/Bien/OTO)	0.00	0	300,000	0	300,000	0.00	0	300,000	0	300,000
DP 6015 - State Motor Pool Rate Adj	0.00	0	(265)	0	(265)	0.00	0	(274)	0	(274)
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$32,000</b>	<b>\$826,735</b>	<b>\$10,000</b>	<b>\$868,735</b>	<b>0.00</b>	<b>\$32,000</b>	<b>\$830,726</b>	<b>\$14,000</b>	<b>\$876,726</b>
<b>Grand Total All Present Law Adjustments</b>				<b>\$1,109,935</b>						<b>\$1,122,307</b>

DP 2301 - CARDD Operating Adjustment - The legislature included \$115,000 in FY 2008 and \$123,000 in FY 2009 of general, state special, and federal revenue authority to restore the base budget due to open positions, the continuation of the St. Mary's Project and work group, increased rent, contracted services, and operating costs. The general fund would be used for operating expenses in the Conservation District Bureau.

DP 2302 - Drinking Water Loan Program Assistance - The legislature provided \$200,000 of state special revenue each year of the 2009 biennium to match federal authority for hardship communities in the Safe Drinking Water program. This would allow the state to provide assistance to disadvantaged communities who borrow from the program. The funding is from the interest derived from the investments of the revolving fund.

DP 2306 - Regional Water Systems - The legislature approved an increase in base authority for the continued development of Dry Prairie, Dry Red Water, Central Montana, and the North Central Regional Water System. These systems will facilitate the construction of regional water systems for small communities. This would provide resources to maintain local support, work toward securing federal assistance, and negotiate needed agreements to work on engineering and environmental planning for the various systems.

DP 2307 - Yellowstone River Council - Thirteen conservation districts have joined together to coordinate comprehensive resource management issues on the Yellowstone River. This legislature provided an increase in state special revenue of \$40,000 per year to pay for Yellowstone River Council expenses.

DP 2312 - Watershed Grants - The legislature provided \$91,000 each year of the biennium for the watershed planning and assistance grant (WPAG) program. The program assists conservation districts and affiliated local watershed groups with expenses associated with watershed planning. Grants can be used for the collection of baseline resource information, facilitators, development of a watershed management plan, training, educational efforts, and incidental costs associated with watershed planning.

DP 2335 - Grass Commission - The legislature provided a \$9,000 per year increase to the grass commission.

DP 2336 - Purchase of Prior Liens (Rst/Bien/OTO) - The legislature approved restricted, biennial, one-time only funding for the purchase of prior liens on projects financed through the renewable resources loan program.

DP 6015 - State Motor Pool Rate Adj - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

### New Proposals

New Proposals										
Program	FTE	Fiscal 2008				Fiscal 2009				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2308 - Missouri River Council										
23	0.00	0	114,000	0	114,000	0.00	0	114,000	0	114,000
DP 2314 - Conservation Dist Operating-Coal Bed Methane RST										
23	0.00	0	100,000	0	100,000	0.00	0	100,000	0	100,000
DP 2315 - State Grants & Restoration										
23	1.00	0	175,000	0	175,000	1.00	0	175,000	0	175,000
DP 2350 - Montana Rural Water Systems (Rst/Bien/OTO)										
23	0.00	101,500	0	0	101,500	0.00	101,500	0	0	101,500
DP 2360 - Economic Analysis of Irrigated Agriculture										
23	0.00	100,000	0	0	100,000	0.00	100,000	0	0	100,000
DP 6013 - 2009 Biennium Pay Plan - HB 13										
23	0.00	20,199	31,310	0	51,509	0.00	45,732	70,378	0	116,110
DP 6014 - Retirement - Employer Contribution - HB63 & HB 131										
23	0.00	1,217	940	0	2,157	0.00	1,760	984	0	2,744
Total	1.00	\$222,916	\$421,250	\$0	\$644,166	1.00	\$248,992	\$460,362	\$0	\$709,354

DP 2308 - Missouri River Council - The legislature approved base authority to pay expenses related to the council's work. Fifteen conservation districts have joined together to coordinate comprehensive resource management issues on the Missouri River.

DP 2314 - Conservation Dist Operating-Coal Bed Methane RST - The legislature approved state special revenue to provide funding to the conservation districts to process landowner claims for the coal bed methane protection program. Funds would provide legal and technical assistance to evaluate landowner claims.

DP 2315 - State Grants & Restoration - The legislature granted 1.00 FTE and \$75,000 in state special revenue each year of the biennium for a state restoration coordinator. The FTE will work with all natural resource agencies, MDOT, local government and the public to maximize investment in restoration, remediation and infrastructure projects. This package includes \$100,000 of one-time only funding for contracted services for the initial planning and data coordination efforts.

DP 2350 - Montana Rural Water Systems (Rst/Bien/OTO) - The legislature provided \$203,000 general fund for the support of Montana Rural Water Systems (MRWS). MRWS provides assistance to small regional water systems meet requirements of the safe drinking water act and the state non-degradation rule. Due to changes in federal funding, MRWS may not receive funding from the US Environmental Protection Agency. This appropriation is conditioned that if federal funding does become available, the general fund is reduced by a like amount.

DP 2360 - Economic Analysis of Irrigated Agriculture - The legislature approved \$200,000 of general fund to complete a study of the economic impact of irrigation on agriculture. This is a one-time, restricted biennial appropriation.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement - Employer Contribution - HB63 & HB 131 - The legislature adopted HB 63 and HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

### **Language**

The following language was approved by the legislature. Any *italicized* language was line-item vetoed by the Governor.

*"Missouri River Council funding in fiscal year 2009 is contingent upon provision of an annual report to the environmental quality council by June 2008 regarding the council's progress towards their goals."*

Conservation District Operating-Coal Bed Methane is restricted to the costs associated with managing the coal bed methane water damage program.

During the 2009 biennium the department is appropriation up to \$1 million of state special revenue from the coal bed methane account to fund potential landowner or water right holder claims for emergency loss of water related to coal bed methane development.

During the 2009 biennium, if Montana Rural Water Systems receives federal funding, Montana Rural Water Systems is reduced by a like amount.

Economic Analysis of Irrigated Agriculture is restricted to contracted services for the purposes of determining the economic benefits of irrigation, the impact of new irrigation projects, and the rehabilitation needs of older irrigation projects. *The department shall provide to the interim water policy committee the scoping document of the study prior to release of the request for proposal to complete the study.* A final written report must be provided to the interim water policy committee by September 15, 2008."

### Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	149.50	0.00	7.50	157.00	0.00	7.50	157.00	157.00
Personal Services	7,033,696	1,139,151	682,720	8,855,567	1,340,483	1,035,975	9,410,154	18,265,721
Operating Expenses	2,459,393	3,070,793	578,325	6,108,511	1,300,422	311,262	4,071,077	10,179,588
Equipment	13,188	17,858	0	31,046	(12,516)	0	672	31,718
Capital Outlay	3,000	0	0	3,000	0	0	3,000	6,000
Transfers	0	0	0	0	0	0	0	0
Debt Service	371,731	98,013	0	469,744	98,013	0	469,744	939,488
<b>Total Costs</b>	<b>\$9,881,008</b>	<b>\$4,325,815</b>	<b>\$1,261,045</b>	<b>\$15,467,868</b>	<b>\$2,726,402</b>	<b>\$1,347,237</b>	<b>\$13,954,647</b>	<b>\$29,422,515</b>
General Fund	6,271,348	719,690	806,881	7,797,919	985,565	1,009,227	8,266,140	16,064,059
State/Other Special	3,523,534	3,493,083	452,343	7,468,960	1,627,674	333,990	5,485,198	12,954,158
Federal Special	86,126	113,042	1,821	200,989	113,163	4,020	203,309	404,298
<b>Total Funds</b>	<b>\$9,881,008</b>	<b>\$4,325,815</b>	<b>\$1,261,045</b>	<b>\$15,467,868</b>	<b>\$2,726,402</b>	<b>\$1,347,237</b>	<b>\$13,954,647</b>	<b>\$29,422,515</b>

### Program Description

The Water Resources Division is responsible for many programs associated with the uses, development, and protection of Montana's water. It manages and maintains the state-owned dams, reservoirs, and canals. The division also develops and recommends in-state, interstate, and international water policy to the director, Governor, and legislature. The division consists of an administration unit and four bureaus: Water Management Bureau, Water Rights Bureau, State Water Projects Bureau, and the Water Operations Bureau.

### Program Highlights

Water Resources Division Major Program Highlights	
♦	The legislature approved an additional 7.50 FTE for the division, including 4.00 for the implementation of HB 831 (groundwater appropriations in closed basins)
♦	\$1.9 million state special revenue was approved for rehabilitation and repair of state owned water projects
♦	General fund authority was granted to provide 1.00 FTE and operating expenses for the Yellowstone compact litigation.
♦	One-time only biennial appropriations include: <ul style="list-style-type: none"> <li>• \$1.5 million of state special revenue authority for repairs or equipment replacement at the Broadwater dam in case of an emergency</li> <li>• \$260,000 general fund authority to revise the cost allocation plan for the operation of Hungry Horse dam</li> <li>• Support of the Clark Fork River Basin task force at \$90,000 general fund</li> </ul>

### Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Water Resources Division						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
<b>01000 Total General Fund</b>	<b>\$ 6,271,348</b>	<b>63.5%</b>	<b>\$ 7,797,919</b>	<b>50.4%</b>	<b>\$ 8,266,140</b>	<b>59.2%</b>
01100 General Fund	6,271,348	63.5%	7,797,919	50.4%	8,266,140	59.2%
<b>02000 Total State Special Funds</b>	<b>3,523,534</b>	<b>35.7%</b>	<b>7,468,960</b>	<b>48.3%</b>	<b>5,485,198</b>	<b>39.3%</b>
02104 Miscellaneous State Spec Rev	-	-	-	-	-	-
02145 Broadwater O & M	394,631	4.0%	416,145	2.7%	427,301	3.1%
02146 Broadwater Irrigation	-	-	35,000	0.2%	35,000	0.3%
02147 Broadwater R & R	-	-	500,000	3.2%	500,000	3.6%
02216 Water Storage St Sp Rev Acct	-	-	625,000	4.0%	-	-
02272 Renewable Resources Grnt/Loans	18,892	0.2%	19,087	0.1%	19,330	0.1%
02351 Water Project Lands Lease Acct	8,546	0.1%	9,203	0.1%	9,310	0.1%
02404 Water Project Loans	210,193	2.1%	308,206	2.0%	308,206	2.2%
02409 General License	40,744	0.4%	-	-	-	-
02430 Water Right Appropriation	575,550	5.8%	1,075,021	7.0%	850,269	6.1%
02431 Water Adjudication	1,988,597	20.1%	2,506,301	16.2%	2,597,873	18.6%
02458 Reclamation & Development	86,319	0.9%	201,764	1.3%	207,649	1.5%
02470 State Project Hydro Earnings	161,538	1.6%	1,681,538	10.9%	436,538	3.1%
02825 Water Well Contractors	38,524	0.4%	91,695	0.6%	93,722	0.7%
<b>03000 Total Federal Special Funds</b>	<b>86,126</b>	<b>0.9%</b>	<b>200,989</b>	<b>1.3%</b>	<b>203,309</b>	<b>1.5%</b>
03034 Yellowstone Groundwater Nps	23,000	0.2%	38,263	0.2%	40,459	0.3%
03094 Fema Federal Grants	63,126	0.6%	162,726	1.1%	162,850	1.2%
<b>Grand Total</b>	<b>\$ 9,881,008</b>	<b>100.0%</b>	<b>\$ 15,467,868</b>	<b>100.0%</b>	<b>\$ 13,954,647</b>	<b>100.0%</b>

The Water Resources Division is predominantly funded with general fund, and state special revenue, with a minor amount of federal revenue. Sources and purpose of state special revenue include:

- Water storage account funded by direct allocation of RIT interest and revenue from water purchase contracts for the purpose of construction, operation, maintenance, and rehabilitation of state water storage projects
- Water rights fees derived from fees collected to record rights to support water rights management
- Income derived from state owned hydroelectric projects for repair and rehabilitation of state owned water projects
- Fees from water well contractors that support the Board of Water Well Contractors

General fund is utilized for personal services, general operating costs, and specific activities such as preparing for water litigation and map modernization. Federal funds are from Federal Emergency Management Agency (FEMA) grants and the Bureau of Reclamation.

**Present Law Adjustments**

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2008-----					-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				1,475,107					1,501,111
Vacancy Savings				(340,356)					(341,388)
Inflation/Deflation				64,567					67,881
Fixed Costs				84,875					104,373
<b>Total Statewide Present Law Adjustments</b>				<b>\$1,284,193</b>					<b>\$1,331,977</b>
DP 2401 - Water Resources Operating Adjustment IT									
0.00	86,538	142,700	13,500	242,738	0.00	67,005	142,427	13,500	222,932
DP 2402 - State Water Projects Rehabilitation (BIE/OTO)									
0.00	0	1,895,000	0	1,895,000	0.00	0	25,000	0	25,000
DP 2404 - Community Assistance Program (CAP) Federal									
0.00	0	0	85,000	85,000	0.00	0	0	85,000	85,000
DP 2408 - Flathead Basin Commission Operating Adjustment IT									
0.00	0	11,800	0	11,800	0.00	0	8,000	0	8,000
DP 2409 - BWWC Operating Adjustment									
0.00	0	26,500	0	26,500	0.00	0	26,500	0	26,500
DP 2430 - Broadwater Hydropower Equipment (Rst/Bien/OTO)									
0.00	0	500,000	0	500,000	0.00	0	500,000	0	500,000
DP 2431 - Broadwater-Missouri Diversion (Rst/Bien/OTO)									
0.00	0	35,000	0	35,000	0.00	0	35,000	0	35,000
DP 2432 - Repair of State Water Projects (Rst/Bien/OTO)									
0.00	0	250,000	0	250,000	0.00	0	250,000	0	250,000
DP 2433 - RWRCC Implementation Staff									
0.00	0	0	0	0	0.00	246,550	0	0	246,550
DP 6015 - State Motor Pool Rate Change									
0.00	(4,416)	0	0	(4,416)	0.00	(4,557)	0	0	(4,557)
<b>Total Other Present Law Adjustments</b>									
0.00	\$82,122	\$2,861,000	\$98,500	\$3,041,622	0.00	\$308,998	\$986,927	\$98,500	\$1,394,425
<b>Grand Total All Present Law Adjustments</b>				<b>\$4,325,815</b>					<b>\$2,726,402</b>

DP 2401 - Water Resources Operating Adjustment IT - The legislature provided an increase to restore base operating expenses. The bill includes overtime at the Broadwater hydropower facility, increased contracted services for water right files and adjudication, the stream gauging program, regional and water right adjudication program rent, operating costs associated with the St. Mary's hydrologist position that was not filled until January 2006, and debt service for repayment of a federal loan for rehabilitation on the Middle Creek Dam.

DP 2402 - State Water Projects Rehabilitation (BIE/OTO) - The legislature approved a one-time only biennial appropriation of \$1.9 million for the following:

- o \$1.1 million for design and construction documents for Ackley Lake Dam
- o \$75,000 for engineering evaluation for modification of the Cataract Dam
- o \$75,000 for engineering consultation for design of outlet modifications and seepage control measures at Deadman's Basin Dam
- o \$620,000 for replacement of the east fork siphon on Flint Creek
- o \$50,000 to obtain survey work on an as needed basis

DP 2404 - Community Assistance Program (CAP) Federal - The legislature provided federal special revenue to continue local flood plain management programs funded through FEMA. The primary purpose of the grant is to reduce the damage claims to the National Flood Insurance program through education and training.

DP 2408 - Flathead Basin Commission Operating Adjustment IT - The legislature included a biennial increase of \$19,800 for the Flathead Basin Commission's operational budget.

DP 2409 - BWWC Operating Adjustment - The legislature approved state special revenue authority for the Board of Water Well Contractors (BWWC) per diem, contracted legal services, and other litigation costs, and for restoration of operating costs due to the board's support position being vacant for six months of the base year.

DP 2430 - Broadwater Hydropower Equipment (Rst/Bien/OTO) - The legislature approved restricted biennial one-time only funds for the purpose of replacing or repairing equipment at the Broadwater Dam.

DP 2431 - Broadwater-Missouri Diversion (Rst/Bien/OTO) - The legislature approved restricted, biennial, one-time only funding for the purpose of repair, improvement or rehabilitation of the Broadwater-Missouri diversion.

DP 2432 - Repair of State Water Projects (Rst/Bien/OTO) - The legislature approved restricted, biennial, one-time only funding for the repair, improvement or rehabilitation of state water projects.

DP 2433 - RWRCC Implementation Staff - The legislature approved a limited transition plan for the Reserved Water Rights Compact Commission staff. This funding creates an implementation bureau in the last half of FY2009 with personal services and related operating costs. A subsequent decrease is made in the RWRCC. (DP 2533).

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

### New Proposals

New Proposals										
Program	FTE	Fiscal 2008				Fiscal 2009				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2403 - Water Rights Records Optical Imaging-ITSD										
24	1.00	0	117,961	0	117,961	1.00	0	117,978	0	117,978
DP 2405 - Yellowstone Compact Study and Hydrologist RST										
24	1.00	119,602	0	0	119,602	1.00	113,794	0	0	113,794
DP 2406 - St. Mary Administrative Position										
24	0.50	20,027	0	0	20,027	0.50	18,534	0	0	18,534
DP 2407 - Upper Clark Fork Steering Committee										
24	0.00	0	20,000	0	20,000	0.00	0	20,000	0	20,000
DP 2413 - DFWP Dam Engineer										
24	0.00	0	(72,201)	0	(72,201)	0.00	0	(72,457)	0	(72,457)
DP 2450 - Hungry Horse Dam Water Leasing Study (Rst/Bien/OTO)										
24	0.00	130,000	0	0	130,000	0.00	130,000	0	0	130,000
DP 2455 - Water Right Ownership Updates										
24	0.00	0	247,907	0	247,907	0.00	0	0	0	0
DP 2460 - Ground Water Assessments										
24	4.00	257,995	18,000	0	275,995	4.00	246,965	18,000	0	264,965
DP 2465 - USFS Water Compact										
24	1.00	50,497	15,084	0	65,581	1.00	47,821	14,284	0	62,105
DP 2470 - Clark Fork River Basin Task Force (OTO)										
24	0.00	45,000	0	0	45,000	0.00	45,000	0	0	45,000
DP 6013 - 2009 Biennium Pay Plan - HB 13										
24	0.00	177,100	102,448	1,763	281,311	0.00	400,087	232,929	3,959	636,975
DP 6014 - Retirement - Employer Contribution -HB63 & HB131										
24	0.00	6,660	3,144	58	9,862	0.00	7,026	3,256	61	10,343
Total	7.50	\$806,881	\$452,343	\$1,821	\$1,261,045	7.50	\$1,009,227	\$333,990	\$4,020	\$1,347,237

DP 2403 - Water Rights Records Optical Imaging-ITSD - The legislature provided 1.00 FTE and state special revenue authority to continue the conversion from microfilm to digital technology and utilization of document-scanning technology for water right records.



DP 2405 - Yellowstone Compact Study and Hydrologist RST - The legislature provided 1.00 FTE and general fund authority to coordinate technical work associated with potential litigation of the Yellowstone River Compact. The position will also monitor surface water flow and precipitation and collect water samples for chemical analyses.

*The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.*

Justification: Provide any corresponding data that supports the activity. Protecting existing and future potential beneficial uses (agriculture, recreation, fisheries, drinking water) of water in the Yellowstone River basin, through securing Montana's water entitlements under the Yellowstone River Compact.

Goals:

- Quantify Montana's (and to the extent possible Wyoming's) pre-1950 and post-1950 water uses and entitlements (mainly irrigation and water storage) in Tongue and Powder River basins
- Monitor stream flow, precipitation and water quality
- Develop numerical models of surface and groundwater flows and water quality in the Tongue and Powder River
- To the extent possible, participate in joint water-use study with Wyoming State Engineers office
- Assist state Attorney General's office with development of technical basis for litigation with Wyoming to protect Montana's water

Performance Criteria:

- Technical analyses and project completion reports prepared on each task above
- Preparation of technical analyses in support of AG's office litigation
- Quarterly monitoring by Bureau Chief, Division Administrator and assistant Attorney General

Milestones: Specific milestones and target dates are contingent upon the degree of cooperation provided by Wyoming. If litigation before the U.S. Supreme Court is necessary, the duration of FTE would be about 10 years.

The joint water use study with Wyoming is contingent upon developing an acceptable joint study scope and would require about 2 years to complete (starting in July 2007 and ending in July 2009). Litigation might preclude completion of the study and unallocated funds would be used in support of litigation.

FTE: One hydrologist to be hired July 2007, no recruitment concerns.

Funding: General Fund

Obstacles: Depending upon the timing of litigation, information on Wyoming water uses may be difficult to obtain.

Risk: Lacking adequate resources significantly jeopardizes Montana's ability to effectively litigate with Wyoming. The division will attempt to re-allocate already limited staff resources to conduct technical studies in support of litigation with Wyoming if this package is not approved.

DP 2406 - St. Mary Administrative Position - This bill includes 0.50 FTE and general fund authority to provide administrative support for the St. Mary's rehabilitation project working group and staff.

DP 2407 - Upper Clark Fork Steering Committee - The legislature approved \$40,000 of state special revenue authority for the biennium to fund the Upper Clark Fork River Basin Steering Committee. The funding would allow the steering committee to address its statutory mandates and to continue discussions with water users and policy makers on how completion of the adjudication will affect water management in Montana.

DP 2413 - DFWP Dam Engineer - The legislature reduced state special revenue to eliminate general license funds from the DNRC budget. Services for dam safety and inspection will continue to occur. However, the Department of Fish, Wildlife and Parks will provide payment via a memo of understanding with DNRC.

DP 2450 - Hungry Horse Dam Water Leasing Study (Rst/Bien/OTO) - The legislature approved \$260,000 in general fund to establish via contract a revised cost allocation of the cost of Hungry Horse dam and associated expenses to include flood control, hydropower generation, irrigation, and municipal and industrial water users in the Clark Fork River basin in Montana.

DP 2455 - Water Right Ownership Updates - The legislature provided funding for HB 39 to improve water right ownership updates.

DP 2460 - Ground Water Assessments - The legislature provided funding for HB 831 that allows the appropriation of ground water in a close basin if a hydrologic report and mitigation plan are provided and approved.

DP 2465 - USFS Water Compact - The legislature provided funding for HB 248 allowing water reservation applications to be filed by the US Forest Service for instream flow rights as stipulations in the water compact allow.

DP 2470 - Clark Fork River Basin Task Force (OTO) - The legislature provided \$45,000 general fund each year of the biennium to support the Clark Fork River Basin Task Force.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement - Employer Contribution -HB63 & HB131 - The legislature adopted HB 63 and HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

### **Language**

"State Water Projects Rehabilitation is restricted to survey expenditures and rehabilitation of the following projects:

- (1) Ackley Lake dam
- (2) Cataract dam
- (3) Deadman's Basin dam
- (4) Flint Creek east fork siphon."

### Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	9.00	(1.00)	0.00	8.00	(1.00)	0.00	8.00	8.00
Personal Services	586,759	(6,966)	19,292	599,085	(182,375)	42,505	446,889	1,045,974
Operating Expenses	118,640	6,300	97,500	222,440	(61,790)	97,500	154,350	376,790
<b>Total Costs</b>	<b>\$705,399</b>	<b>(\$666)</b>	<b>\$116,792</b>	<b>\$821,525</b>	<b>(\$244,165)</b>	<b>\$140,005</b>	<b>\$601,239</b>	<b>\$1,422,764</b>
General Fund	705,399	(666)	116,792	821,525	(244,165)	140,005	601,239	1,422,764
<b>Total Funds</b>	<b>\$705,399</b>	<b>(\$666)</b>	<b>\$116,792</b>	<b>\$821,525</b>	<b>(\$244,165)</b>	<b>\$140,005</b>	<b>\$601,239</b>	<b>\$1,422,764</b>

### Program Description

The Montana Reserved Water Rights Compact Commission was created by the legislature in 1979 as part of the state-wide water rights adjudication effort. It consists of four members appointed by the Governor, two by the President of the Senate, two by the Speaker of the House of Representatives, and one by the Attorney General. Members serve for four years. The commission negotiates water rights with the Indian tribes and federal agencies that claim federal reserved water rights within the state, to establish a formal agreement (compact) on the amount of water to be allocated to each interest. Legal, technical, and administrative staff supports the commission. The commission is scheduled to sunset on July 1, 2009.

### Program Highlights

Reserved Water Rights Compact Commission Major Program Highlights	
◆	The legislature approved an operating adjustment to remove 1.00 FTE that is no longer needed
◆	The legislature approved a transfer of authority from this division to the Water Resources Division to transition the commission from negotiation to implementation activities after the commission sunsets on July 1, 2009
◆	Contracted services of \$195,00 over the biennium was approved to assist in completion of activities prior to the commission sunset

### Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Reserved Water Rights Co						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
<b>01000 Total General Fund</b>	<b>\$ 705,399</b>	<b>100.0%</b>	<b>\$ 821,525</b>	<b>100.0%</b>	<b>\$ 601,239</b>	<b>100.0%</b>
01100 General Fund	705,399	100.0%	821,525	100.0%	601,239	100.0%
<b>Grand Total</b>	<b>\$ 705,399</b>	<b>100.0%</b>	<b>\$ 821,525</b>	<b>100.0%</b>	<b>\$ 601,239</b>	<b>100.0%</b>

The commission is funded exclusively with general fund.

**Present Law Adjustments**

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2008-----						-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					62,942					63,981
Vacancy Savings					(25,987)					(26,031)
Inflation/Deflation					1,288					1,534
Fixed Costs					144					703
<b>Total Statewide Present Law Adjustments</b>					<b>\$38,387</b>					<b>\$40,187</b>
DP 2502 - RWRCC Operating Adjustment										
(1.00)	(1.00)	(38,988)	0	0	(38,988)	(1.00)	(37,735)	0	0	(37,735)
DP 2533 - RWRCC Transition Plan										
0.00	0.00	0	0	0	0	0.00	(246,550)	0	0	(246,550)
DP 6015 - State Motor Pool Rate Change										
0.00	0.00	(65)	0	0	(65)	0.00	(67)	0	0	(67)
<b>Total Other Present Law Adjustments</b>										
(1.00)	(1.00)	(\$39,053)	\$0	\$0	(\$39,053)	(1.00)	(\$284,352)	\$0	\$0	(\$284,352)
<b>Grand Total All Present Law Adjustments</b>					<b>(\$666)</b>					<b>(\$244,165)</b>

DP 2502 - RWRCC Operating Adjustment - The legislature approved a reduction of \$38,988 in FY 2008 and \$37,735 in FY 2009 which reflects the operational adjustments for commission per diem, rent, and removal of 1.00 FTE in anticipation of the commission sunset date of July 1, 2009.

DP 2533 - RWRCC Transition Plan - The legislature approved a limited transition for the RWRCC staff. This decision package removes the operations budget in the last half of FY2009. A subsequent increase (DP 2433) is made in the Water Resource Division to create an implementation bureau.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

**New Proposals**

New Proposals										
-----Fiscal 2008-----						-----Fiscal 2009-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2501 - RWRCC Contracted Services OTO										
25	0.00	97,500	0	0	97,500	0.00	97,500	0	0	97,500
DP 6013 - 2009 Biennium Pay Plan - HB 13										
25	0.00	18,545	0	0	18,545	0.00	41,715	0	0	41,715
DP 6014 - Retirement-Employer Contributions - HB63 & HB131										
25	0.00	747	0	0	747	0.00	790	0	0	790
<b>Total</b>	<b>0.00</b>	<b>\$116,792</b>	<b>\$0</b>	<b>\$0</b>	<b>\$116,792</b>	<b>0.00</b>	<b>\$140,005</b>	<b>\$0</b>	<b>\$0</b>	<b>\$140,005</b>

DP 2501 - RWRCC Contracted Services OTO - The legislature provided a one-time only general fund of \$97,500 each year of the biennium to provide contract services for a fisheries biologist and engineer primarily to support negotiations with the Confederated Salish and Kootenai Tribe (CSKT).

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement-Employer Contributions - HB63 & HB131 - The legislature adopted HB 63 and HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

**Language**

“The Reserved Water Rights Compact Commission fiscal year 2009 appropriation is contingent upon the delivery of a transition plan which addresses work load changes from negotiation to implementation of water compacts to the environmental quality council by June 30, 2008.”

**Program Legislative Budget**

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	289.87	1.50	1.00	292.37	1.50	1.00	292.37	292.37
Personal Services	13,755,072	1,381,885	561,634	15,698,591	1,438,784	1,208,560	16,402,416	32,101,007
Operating Expenses	5,787,272	1,034,675	958,675	7,780,622	1,056,891	1,236,500	8,080,663	15,861,285
Equipment	989,435	0	1,000,000	1,989,435	0	0	989,435	2,978,870
Capital Outlay	118,347	3,771	0	122,118	3,771	0	122,118	244,236
Grants	184,491	0	100,000	284,491	0	100,000	284,491	568,982
Transfers	809,421	150,475	0	959,896	167,930	0	977,351	1,937,247
Debt Service	6,760	0	0	6,760	0	0	6,760	13,520
<b>Total Costs</b>	<b>\$21,650,798</b>	<b>\$2,570,806</b>	<b>\$2,620,309</b>	<b>\$26,841,913</b>	<b>\$2,667,376</b>	<b>\$2,545,060</b>	<b>\$26,863,234</b>	<b>\$53,705,147</b>
General Fund	7,908,910	834,265	1,435,408	10,178,583	877,041	678,088	9,464,039	19,642,622
State/Other Special	12,530,277	1,563,039	1,284,901	15,378,217	1,615,443	1,966,972	16,112,692	31,490,909
Federal Special	1,211,611	173,502	(100,000)	1,285,113	174,892	(100,000)	1,286,503	2,571,616
Expendable Trust	0	0	0	0	0	0	0	0
<b>Total Funds</b>	<b>\$21,650,798</b>	<b>\$2,570,806</b>	<b>\$2,620,309</b>	<b>\$26,841,913</b>	<b>\$2,667,376</b>	<b>\$2,545,060</b>	<b>\$26,863,234</b>	<b>\$53,705,147</b>

**Program Description***Forestry Division*

The Forestry Division is responsible for planning and implementing forestry programs statewide. Forestry responsibilities include protecting natural resources from wildfire, regulating forest practices, and providing a variety of services to private forest landowners. Specific programs include:

- Fire and Aviation Management - Protecting 50 million acres of state and private forest and watershed lands from wildfire through a combination of direct protection and county support
- Forest Practice Regulation - Enforcing Montana's streamside management zone regulations and monitoring the voluntary best management practices program on all forests in Montana
- Administering Montana Fire Hazard Reduction Law - Ensuring that the fire hazard created by logging and other forest management operations on private forest lands is adequately reduced, or that additional fire protection is provided until the hazard is reduced
- Providing Forestry Services - Providing technical forestry assistance to private landowners, businesses, and communities
- Tree and Shrub Nursery - Growing and selling seedlings for conservation and reforestation plantings on state and private lands in Montana

*Trust Land Management*

The Trust Land Management Division is responsible for managing Montana's trust land resources to provide revenues to the trust beneficiaries while considering environmental factors and protecting future income generating capacity of the land. These lands currently total 5.2 million surface acres, 6.2 million mineral acres, and approximately 6,000 miles (40,000+ acres) of the beds of navigable waterways. The division provides this through four primary programs: 1) forest management; 2) agriculture and grazing management; 3) special use management; and 4) minerals management.

## Program Highlights

Forest /Trust Lands Division	
Major Program Highlights	
<ul style="list-style-type: none"> <li>◆ The legislature provided:</li> <li>◆ \$1.0 million general fund to purchase the title to department helicopters from the US Forest Service</li> <li>◆ \$1.0 million of state special revenue to begin to fund the state's share of the cost to remediate the reliance refinery site</li> <li>◆ \$0.50 million general fund to support the Fuels for Schools program</li> <li>◆ Authority for land exchange costs that are collected upfront prior to the transaction</li> <li>◆ An urban forestry funding switch of \$100,000 from federal to state special revenue</li> <li>◆ The following FTE : <ul style="list-style-type: none"> <li>• 0.50 FTE to supervise the inmate fire suppression crew</li> <li>• 1.00 FTE for minerals management for trust lands in the Northeastern land office area</li> </ul> </li> </ul>	

## Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table						
Forestry/Trust Lands						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
<b>01000 Total General Fund</b>	<b>\$ 7,908,910</b>	<b>36.5%</b>	<b>\$ 10,178,583</b>	<b>37.9%</b>	<b>\$ 9,464,039</b>	<b>35.2%</b>
01100 General Fund	7,908,910	36.5%	10,178,583	37.9%	9,464,039	35.2%
<b>02000 Total State Special Funds</b>	<b>12,530,277</b>	<b>57.9%</b>	<b>15,378,217</b>	<b>57.3%</b>	<b>16,112,692</b>	<b>60.0%</b>
02039 Forestry-Fire Protection Taxes	2,529,064	11.7%	3,208,060	12.0%	3,315,737	12.3%
02073 Forestry - Slash Disposal	141,401	0.7%	136,533	0.5%	141,941	0.5%
02104 Miscellaneous State Spec Rev	-	-	300,000	1.1%	300,000	1.1%
02119 Non-Land Grant Income - Nb	-	-	-	-	-	-
02241 Dsl Recreational Use Account	89,722	0.4%	45,665	0.2%	45,933	0.2%
02272 Renewable Resources Grnt/Loans	-	-	100,000	0.4%	100,000	0.4%
02280 Forest Resources-Timber Sales	3,354,659	15.5%	3,813,679	14.2%	4,245,803	15.8%
02324 State Land Bank	153,001	0.7%	275,001	1.0%	275,001	1.0%
02449 Forest Resources-Forest Improv	1,579,196	7.3%	1,884,598	7.0%	1,909,658	7.1%
02450 State Lands Res Dev	587,226	2.7%	706,797	2.6%	709,010	2.6%
02458 Reclamation & Development	-	-	-	-	-	-
02472 Orphan Share Fund	-	-	500,000	1.9%	500,000	1.9%
02681 Historic Right-Of-Way Acct	5,000	0.0%	15,000	0.1%	15,000	0.1%
02836 Commercial Leases - Tlmd	30,000	0.1%	40,000	0.1%	40,000	0.1%
02938 Tlmd - Administration	4,061,008	18.8%	4,352,884	16.2%	4,514,609	16.8%
<b>03000 Total Federal Special Funds</b>	<b>1,211,611</b>	<b>5.6%</b>	<b>1,285,113</b>	<b>4.8%</b>	<b>1,286,503</b>	<b>4.8%</b>
03415 Consol Grnt-Srvce Forestry Fy06	528,914	2.4%	400,255	1.5%	401,645	1.5%
03416 Consolidated Grant - Fire Fy06	647,283	3.0%	634,858	2.4%	634,858	2.4%
03418 Nonconsol Grant-Fire Fy06	35,414	0.2%	250,000	0.9%	250,000	0.9%
08000 Total	-	-	-	-	-	-
08107 Dnrc Nonbudgeted	-	-	-	-	-	-
<b>Grand Total</b>	<b>\$ 21,650,798</b>	<b>100.0%</b>	<b>\$ 26,841,913</b>	<b>100.0%</b>	<b>\$ 26,863,234</b>	<b>100.0%</b>

The Forestry Division is supported with a mix of general fund, state special revenue, and federal funding. General fund provides general division support as well as the fixed costs of the Fire and Aviation Management program. A transfer from the general fund is made to the proprietary fund, from which it is spent.

State special revenue support comes from forest improvement fees and forest protection fees. Forest improvement fees consist of \$25 for each slash hazard reduction agreement, and \$.060 per thousand board feet sold, plus any forfeited fire hazard reduction bonds. Fees are established when timber sales are approved based upon the state's projected costs of slash disposal, road maintenance, and reforestation.

The department is also required to collect up to one-third of the state's fire protection appropriation from private landowners through a forest protection fee. The other two-thirds are funded with general fund. The department is required to levy the tax so that collections equal the amount appropriated by the legislature.

The Trust Land Management division is funded with trust fund revenue, timber sales, and forest resource fees. The remaining funding is from recreational use and resource development of state lands. Because funding for state lands is taken directly from revenues, any expenditure for administration of state lands is a direct reduction in trust income. General fund is utilized for personal services for the management of non-trust state lands.

### Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2008-----						-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				1,937,027						1,996,228
Vacancy Savings				(627,676)						(630,049)
Inflation/Deflation				128,603						141,859
Fixed Costs				23,588						22,378
Total Statewide Present Law Adjustments				\$1,461,542						\$1,530,416
DP 3505 - Inmate Fire Suppression Crews (Requires Legislation)										
0.50	20,508	10,564	0	31,072		0.50	20,532	10,577	0	31,109
DP 3506 - Forestry Operating Adjustment (Requires Legislation)										
0.00	152,103	70,372	0	222,475		0.00	163,624	76,306	0	239,930
DP 3507 - Interagency Fire Support (Requires Legislation)										
0.00	65,655	33,823	0	99,478		0.00	68,295	35,183	0	103,478
DP 3515 - Forestry Operating Base-Technical Adjustment										
0.00	218,637	0	0	218,637		0.00	218,637	0	0	218,637
DP 3531 - Land Bank Reauthorization (BIE) (Requires Legislation)										
0.00	0	122,000	0	122,000		0.00	0	122,000	0	122,000
DP 3534 - Access Acquisition BIEN										
0.00	0	100,000	0	100,000		0.00	0	100,000	0	100,000
DP 3536 - Trust Land Management Operating Adjustment										
1.00	0	69,207	0	69,207		1.00	0	75,701	0	75,701
DP 3537 - Weed Management Projects										
0.00	0	25,000	0	25,000		0.00	0	25,000	0	25,000
DP 3545 - Historic Rights-of-Way Addition										
0.00	0	15,000	0	15,000		0.00	0	15,000	0	15,000
DP 3556 - Federal Forestry Operating Adjustment										
0.00	0	0	214,499	214,499		0.00	0	0	214,465	214,465
DP 6015 - State Motor Pool Rate Change										
0.00	(1,683)	(6,421)	0	(8,104)		0.00	(1,736)	(6,624)	0	(8,360)
Total Other Present Law Adjustments										
1.50	\$455,220	\$439,545	\$214,499	\$1,109,264		1.50	\$469,352	\$453,143	\$214,465	\$1,136,960
Grand Total All Present Law Adjustments				\$2,570,806						\$2,667,376

DP 3505 - Inmate Fire Suppression Crews - The legislature approved 0.50 FTE and approximately \$20,500 general fund and \$10,500 state special revenue each year of the 2009 biennium for a supervisor for a 10-person prison hand crew from the Department of Correction's work release program.



DP 3506 - Forestry Operating Adjustment -The legislature provided an increase in base authority for increased rent and janitorial costs of the division's regional offices to be covered with state special revenue authority. Federal authority is to provide for increased training and maintenance associated with federal assist fires and development costs for wildland engines. The general fund would be transferred to the air operations proprietary account for salaries, rent, and aircraft insurance to cover air operations fixed costs.

DP 3507 - Interagency Fire Support - The legislature provided general fund and state special revenue to support interagency fire costs within the Northern Rockies region. This includes an increase for the department's contract for fire protection services on state and private lands within the Flathead Indian Reservation and an increase in shared support costs associated with the Northern Rockies Coordinating Group (NRCG) for which DNRC is a partner.

DP 3515 - Forestry Operating Base-Technical Adjustment - The legislature provided a technical adjustment to correct an error in the fire suppression budget. An error in a budget adjustment caused the Forestry Division base budget a general fund reduction of \$218,637. This restores that reduction.

DP 3531 - Land Bank Reauthorization (BIE) - The legislature provided biennial state special revenue authority to defray the costs associated with preparing the sale of state land pursuant to land banking. This includes appraisals, cultural surveys, land surveys, advertising, realtor fees, and closing costs.

DP 3534 - Access Acquisition (BIEN) - The legislature provided biennial state special revenue authority for purchasing access to forested state trust lands. Access to isolated trust lands has become a priority for the department and also increases the value of the land. Access is needed for timber harvest, forest improvement activities, land exchanges, recreational use by the public, and fire hazard reduction and suppression.

DP 3536 - Trust Land Management Operating Adjustment - The legislature provided 1.00 FTE and a base adjustment for the Trust Land Management Division due to increased rent costs in the Helena, Bozeman, Conrad, Dillon, Lewistown, Glasgow, and Havre offices. The additional FTE is to be located in at the Northwest, Southwest and Central Land Office as a seasonal aggregate FTE for increase forest improvement workload, including burning and tree planting.

DP 3537 - Weed Management Projects - The legislature provided state special revenue for contracted services for weed control, and to purchase herbicides, fund cooperative grant projects, and support bio-control efforts in order to complete additional weed control projects.

DP 3545 - Historic Rights-of-Way Addition - The legislature provided an increase for contracted services associated with processing the Historic Rights-of-Way applications.

DP 3556 - Federal Forestry Operating Adjustment - The legislature provided federal authority for increased training and maintenance associated with federal assist fires and development costs for wildland engines.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

## New Proposals

New Proposals										
-----Fiscal 2008-----						-----Fiscal 2009-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3502 - Urban Forestry Funding Change										
35	0.00	0	100,000	(100,000)	0	0.00	0	100,000	(100,000)	0
DP 3503 - Fire Fighting Equipment -(Rst/Bien/OTO)										
35	0.00	1,000,000	0	0	1,000,000	0.00	0	0	0	0
DP 3530 - NELO Land Use Specialist										
35	1.00	0	55,137	0	55,137	1.00	0	52,996	0	52,996
DP 3535 - Land Exchange Reimbursement										
35	0.00	0	300,000	0	300,000	0.00	0	300,000	0	300,000
DP 3542 - Reliance Refinery Remediation (BIE/OTO)										
35	0.00	0	500,000	0	500,000	0.00	0	500,000	0	500,000
DP 3549 - Woody Biomass Utilization Program - OTO										
35	0.00	250,000	0	0	250,000	0.00	250,000	0	0	250,000
DP 3550 - Contract Timber Harvesting										
35	0.00	0	0	0	0	0.00	0	280,000	0	280,000
DP 3555 - Weed Control on State Land										
35	0.00	0	5,000	0	5,000	0.00	0	5,000	0	5,000
DP 6013 - 2009 Biennium Pay Plan - HB 13										
35	0.00	179,618	314,761	0	494,379	0.00	421,933	718,590	0	1,140,523
DP 6014 - Retirement - Employer Contribution - HB63 & Hb131										
35	0.00	5,790	10,003	0	15,793	0.00	6,155	10,386	0	16,541
Total	1.00	\$1,435,408	\$1,284,901	(\$100,000)	\$2,620,309	1.00	\$678,088	\$1,966,972	(\$100,000)	\$2,545,060

DP 3502 - Urban Forestry Funding Change - The legislature approved a funding switch to replace \$100,000 of federal special revenue with state special revenue to fund the 2.00 FTE and operating costs for the Urban Forestry Program. The remaining federal authority would be utilized to support the grant opportunities for cities and towns.

DP 3503 - Fire Fighting Equipment -(Rst/Bien/OTO) - The legislature approved a \$1.0 million one-time only general fund appropriation for the Forestry Division to purchase fire fighting equipment. The priority use of this appropriation is to purchase the title to department helicopters from the US Forest Service.

DP 3530 - NELO Land Use Specialist - The legislature provided state special revenue authority and 1.00 FTE for the minerals management program. This individual would coordinate and review oil and gas lease sale nominations for pre-leasing stipulations, issue seismic permits for exploration, analysis and review oil and gas developments, resolve conflicts between surface and subsurface state land uses, and monitor current lessees for oil and gas compliance.

*The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.*

Justification: Due to the surge in oil and natural gas prices, the exploration and development of the state land mineral estate has increased dramatically. Over the past five years the mineral management workload has significantly increased which warrants the FTE. Extensive oil and gas leasing has occurred in large blocks of state ownership that will require coordination of state surface and subsurface use. Due to large blocks of ownership, ancillary infrastructures required to support minerals development will be a significant component. This trend of increased workload is being witnessed in other areas/units across the state. The position will be made available to other areas/units on a case-by-case basis to assist with workload issues and increase trust revenues.

Goal: The purpose of this proposal is to develop state minerals for the state trust land beneficiaries while maintaining the long-term productivity of the land for surface uses.

Performance Criteria: This position would report to the Glasgow unit manager, who would be charged with monitoring the accomplishment of mineral program objectives. Oil and gas lease exploration and development activities are

accounted on a quarterly basis by the Minerals Management Bureau. The workload associated with this FTE request has already occurred and is expected to increase as a result of recent increase in lease sale activity. .

Milestones: Quarterly oil and gas lease sales, annual oil and gas revenue amounts.

FTE: FTE will be hired by July 1, 2007. It may be difficult to compete with salary levels paid by private oil and gas companies.

Funding: Trust Land Administration Fund

Obstacles: None

Risk: The risk of not securing an FTE for oil and gas development will be the loss of revenue due to delays in the processing of exploration and development permits and potential environmental degradation due to lack of proper project analysis and lease compliance monitoring.

DP 3535 - Land Exchange Reimbursement - The legislature approved state special revenue to enable DNRC to collect anticipated land exchange costs from the applicant, hire and pay the contractors (surveyors, appraisers, etc.), and reimburse the applicant for any unspent monies. Currently, land exchange applicants pay these costs directly to contractors.

DP 3542 - Reliance Refinery Remediation (BIE/OTO) - The legislature approved \$1.0 million of state special revenue authority for the state's share of anticipated site remediation costs at the Reliance Refinery superfund site located in Kalispell, Montana. Per the settlement agreement, the state is responsible for 27.5 percent of invoiced costs after January 1, 2005.

*The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.*

Justification: Reliance Refinery is part of a state Superfund (CECRA) site under the regulatory authority of the Montana Department of Environmental Quality (DEQ). The department negotiated a consent decree with DEQ acknowledging the state's partial liability for site remediation and indemnifying the state from cross-claim litigation from other potentially liable parties. That consent decree was approved by the Montana First Judicial District Court. It requires the State of Montana to fund the state's proportionate share of the costs of site remediation. The share was established at 27.5 percent.

Goals: The primary goal is remediation of the site as required by CECRA. The secondary goal, relative to the state's ownership, is returning the state land to an appropriate productive use.

Performance Criteria: DEQ will evaluate the alternative remediation methods, select the remediation option that optimally meets the goals and objectives for remediation under CECRA, and produce a record of decision (ROD). This in turn provides the basis upon which to prepare a detailed site remediation plan, and solicit bid proposals for the selected remediation plan. Progress is dependent on DEQ's ability to complete these tasks, either on their own or in conjunction with potentially liable parties.

Milestones: DEQ estimates these project tasks will be complete or nearly complete by the end of FY 2009.

FTE: The work will be performed by DEQ and their contractors.

**Funding:** DEQ invoices liable parties for their costs, unless same are covered by other direct sources of funding. The department's settlement agreement with DEQ resulted in a negotiated settlement of \$126,890 for the State's share of costs invoiced through December 31, 2004. The department has already paid \$50,000 of this obligation.

**Obstacles:** As the regulator of state Superfund sites under CECRA, DEQ faces the technical challenge of selecting a final remediation alternative. The consent decree entered into between the department and DEQ resolves the state's share of liability. One other potentially liable party entered into a consent decree with DEQ. Other potentially liable parties have not settled, and litigation between liable parties and DEQ is ongoing.

**Risk:** The State of Montana is obligated to cover its share of costs associated with remediation of this CECRA site. If the state fails to meet that obligation, the DEQ, as regulator of the CECRA program, could seek to void the court-approved settlement agreement with DNRC. The state would ultimately still be responsible for its share of site remediation, but would also incur the cost of defending itself in further litigation, including cross-claims for liability brought against the state by other potentially liable parties. Any delay in DEQ's ability to proceed with the steps required for site remediation obviously delays the completion of that remediation. DEQ, pursuant to its CECRA authority, considers the site to pose a threat to the public health, safety, and welfare and to the environment.

DP 3549 - Woody Biomass Utilization Program - OTO - The legislature provided a one-time only general fund appropriation to continue and enhance the Woody Biomass Utilization Program, also referred to as Fuels for Schools program. The program facilitates and promotes the beneficial use of woody biomass "waste" from forest treatments.

DP 3550 - Contract Timber Harvesting - The legislature approved state special revenue funding to implement the contract timber harvesting program as authorized in SB 25 of the 2007 regular session.

DP 3555 - Weed Control on State Land - The legislature provided funding for HB 37, which allows the state to take weed control measures on leased state land and bill the lessee for the cost plus a penalty.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement - Employer Contribution - HB63 & HB131 - The legislature adopted HB 63 and HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

### **Language**

"Fire Fighting Equipment is restricted to the purchase of title to the department's helicopters. If the purchase is less than one million dollars, the department may use the balance of the appropriation for the purchase of equipment for the county cooperative program."

### **Proprietary Rates**

### **Proprietary Program Description**

#### *Air Operations Program*

The air operations program in the Forestry Division is funded from the air operations proprietary account for those costs that can be supported by the aircraft rates charged for the use of the aircraft and general fund and fire protection tax revenue for fixed costs. The program operates six medium helicopters, one light helicopter, and three single engine fixed-wing airplanes. Aircraft are primarily used for fire detection, support and suppression of wildfires, and reclamation work in the Department of Environmental Quality. Fixed costs are paid by the general fund and the fire protection tax

revenues since they must be paid regardless of the number of hours flown. These costs include hangar rent, insurance and personnel costs. The general fund and fire protection taxes are appropriated by the legislature and transferred to and spent from the proprietary account. Variable costs that are dependent on the hours flown, such as fuel and maintenance, are recovered through an hourly rate charged to all users of the aircraft. Users of the aircraft include DNRC, other state agencies, federal agencies and the state's wildfire suppression efforts. This revenue is also deposited in the proprietary account.

### **Proprietary Revenues and Expenses**

The primary source of revenue is in the collection of aircraft rental charges. Additional transfer-in revenue is received from HB 805 transfers of fixed costs (FTE, insurance & rent) from the general fund and the fire protection tax revenues. The department has limited cooperative agreements to assist our federal partners (U.S. Forest Service) with fire protection. The department also has agreements with other state agencies for non-fire related aircraft rental services. The customers served are comprised primarily of state land managers for the DNRC. This involves initial attack of fires under state direct protection and federal and state agencies. Historic and projected trends are dependent on length and severity of the fire season.

The cost drivers for the aircraft rates are to try and recover the actual expenses needed to maintain the aircraft in an air worthy condition and remain mission ready for the purpose of initial attack on wild fires on state and federal ground. This includes all costs associated with the maintenance and operation of that aircraft. There are some factors that contribute to the uncertainty in forecasting future expenses. This includes unforeseen events such as FAA and manufacturer directives, aircraft incidents resulting in unplanned maintenance and fluctuations in fuel and parts, and length and severity of the fire season. Average fire season and routine maintenance of aircraft are used to determine the anticipated future costs of major cost drivers. In FY 2006, non-typical expenditures were incurred in the building of a new helicopter (\$200,000).

Charges for services do not support any FTE for the aviation section. All FTE (12.26) are supported by the general fund and fire protection tax transfers-in.

### **Proprietary Rate Explanation**

The reimbursement rates for the operation of the department aircraft are based on the time life of 5,000 hours of aircraft usage. The rate has been determined to maintain the aircraft in its original condition. At the end of 5,000 hours, all parts should have been replaced and a new maintenance / operation cycle started.

### **Specific services**

The section provides aircraft services and charges for reimbursement by hours and tenths of hours at the following rates:

- \$1,075.00 Bell UH-1/H Helicopters
- \$475.00 Jet Ranger Helicopter
- \$150.00 Cessna 180 Series Aircraft

### **Proprietary Program Description**

#### *Tree Nursery*

The Montana Conservation Seedling Nursery produces and distributes seedlings for conservation plantings including applications such as fire and logging reforestation, farmstead windbreaks, shelterbelts, wildlife habitat, and stream stabilization, as well as other conservation uses. The program mission is to produce the highest quality, locally-adapted, source-identified seedlings available for conservation practices in Montana and to ensure affordable seedlings are available to Montana landowners. The nursery grows an average of one million seedlings annually on 110 acres of state land and in 9,000 square feet of greenhouse space. Sixty-seven plant species are currently in production. Eight hundred ninety-five landowners purchased seedlings in FY 2006. The nursery program is funded solely from the nursery proprietary account. No general fund or federal dollars are used in the program.

**Proprietary Revenues and Expenses**

The primary source of revenue is seedling sales. Other revenue sources are such services as seed collection, cleaning, and storage and the sale of products for seedling care and protection. The customer base for nursery products and services is comprised of private landowners in Montana, the DNRC Trust Land Management Division, the Department of Fish, Wildlife and Parks, the Conservation Reserve Program (CRP), tribal agencies, the Wildlife Habitat Incentives Program (WHIP), Pheasants Forever, and numerous other conservation programs and organizations. Historic and projected trends in nursery revenue are dependent on conservation activity in the state, landowner access to cost-share dollars for implementation of conservation projects, and long-term seedling production contracts from large scale conservation activities. Revenue potential is also dependent on the number of seedlings available for sale each fiscal year. Sales are predicted two to three years in advance due to the two- to three-year production time needed for each seedling type. This can lead to seedling shortages or surpluses when unforeseen events such as extended drought or extreme fire seasons alter demand for seedlings.

The determining factors that set seedling prices are the actual fixed and variable costs of producing the seedlings. Market pressures from other out-of-state seedling producers can also influence prices. Prices are set to recover all program costs and to increase the year-end carryover balance. Year-end carryover dollars are used for non-typical expenses such as large equipment replacement, or for unforeseen expenses such as weather-related crop losses. Since the nursery is funded primarily by seedling sales, personal services, operating and capital equipment costs are included when setting prices.

**Proprietary Rate Explanation**

The price of each seedling type is set at the end of the previous fiscal year. Prices are based on the actual production costs for each seedling type. The variables involved in seedling production include seedling stock type (bare root vs. container), seed cost, propagation difficulty, cull rates, seedling age class, quantity produced, equipment costs, labor costs, and overhead charges. Given these variables, each of the 125-plus seedling types can have a different price, and the price must be adjusted annually to account for changes in fixed and variable costs.